DIRECTORS' REPORT

The Directors of Spark Infrastructure RE Limited[1] present this financial report on the consolidated entity for the year ended 31 December 2020.

The Principal Activity of Spark Infrastructure

During the reporting period, Spark Infrastructure continued to invest in essential services infrastructure businesses, primarily electricity distribution and transmission businesses, in Australia.

In April 2019 Spark Infrastructure acquired the Bomen Solar Farm project north of Wagga Wagga in NSW. Construction commenced in June 2019 with the farm reaching mechanical completion in late January 2020. Energisation was completed on 27 February 2020 with commissioning commencing shortly thereafter, enabling Bomen Solar Farm to commence commercial operations from late-June 2020.

The Nature of Securities in Spark Infrastructure

Spark Infrastructure is a stapled structure comprising two elements:

- one unit in the Trust; and
- one Loan Note issued by Spark RE, the Responsible Entity of the Trust.

The stapled elements are quoted on the ASX as if they were a single security that investors can buy and sell.

Spark Infrastructure's Board of Directors

At the time of reporting, and throughout the year, the Directors of the company were:

Dr Douglas McTaggart, Chair

Mr Rick Francis, Managing Director and Chief Executive Officer

Mr Andrew Fay

Mr Miles George

Mr Greg Martin

Ms Anne Brennan (appointed 1 June 2020)

Retired during the year

Ms Karen Penrose (retired 27 May 2020)

The Directors' qualifications, experience and special responsibilities are outlined below:

Dr Doug McTaggart PhD, MA (Econ), BEc (Hons), DUniv, FAICD, SF Fin

Chair and Independent Director (since December 2015)

Dr McTaggart is a director of the Suncorp Group and Chair of AA Insurance (New Zealand), a subsidiary of Suncorp Group and is also Chair of Suncentral Maroochydore Pty Ltd. Dr McTaggart is Chair of the Indigenous Business Australia Asset Management Co. He is a member of the Australian National University Council and a member of the Expert Advisory Panel for Housing Solutions Capital Funding Strategy, Indigenous Business Australia.

Dr McTaggart has extensive experience in financial markets, having been Chief Executive of QIC Limited (1998-2012). Prior to QIC, he was Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career.

Dr McTaggart is a member of the Remuneration Committee and the Chair of the Nomination Committee.

Dr McTaggart has held the following directorships of other Australian listed entities within the last three years:

Listed Entity	Period directorship held
Suncorp Group Limited	2012 to present

Mr Richard (Rick) Francis BCom, MBA, CA, GAICD

Managing Director and Chief Executive Officer (since May 2012)

Mr Francis commenced as Managing Director and Chief Executive Officer of Spark Infrastructure in 2012. He originally joined Spark Infrastructure in 2009 as the Chief Financial Officer and served in that role for three-and-a-half years prior to his appointment as Managing Director.

Mr Francis has over 25 years' experience in the Australian energy and energy infrastructure industries. Prior to Spark Infrastructure, he was employed by APA Group as Chief Financial Officer and by Origin Energy Limited in various roles. He is also a Chartered Accountant.

Mr Francis has been a director of SA Power Networks and Victoria Power Networks since 2009. He was appointed inaugural Chair of NSW Electricity Networks Operations (TransGrid) in December 2015 and has served as Deputy Chair since June 2016. Mr Francis did not hold any other Australian listed entity directorships within the last three years.

Mr Andrew Fay BAgEc (Hons), AFin

Independent Director (since March 2010)

Mr Fay is a director of Pendal Group Limited (previously BT Investment Management Limited), J O Hambro Capital Management Holdings Limited and National Cardiac Pty Limited. He was previously a director of Cromwell Property Group, Gateway Lifestyle Group, Chair of Tasman Lifestyle Continuum Limited and Deutsche Managed Investments Limited. Mr Fay was Chair of Deutsche Asset Management (Australia) Limited following a 20-year career in the financial services sector and has served on industry representative bodies. He is currently a consultant to Dexus Property Group and Microbiogen Pty Limited.

Mr Fay is a member of the Audit, Risk and Compliance Committee and the Nomination Committee.

Mr Fay has held the following directorships of other Australian listed entities within the last three years:

Listed Entity	Period directorship held
Cromwell Property Group	2018 to 2020
Pendal Group Limited	2011 to present
Gateway Lifestyle Group	2015 to 2018

Mr Miles George BEng, MBA, GAICD

Independent Director (since October 2019)

Mr George is a director of the Australian Conservation Foundation.

Mr George has over 30 years' experience in project development, investment, financing and management in the renewable energy industry and the broader infrastructure sector. He led the Initial Public Offer and listing of Infigen Energy's business in 2005 and was Managing Director of Infigen Energy from 2009-2016. He was the Interim Chief Executive Officer of CleanCo Queensland until September 2019 and was recently an Advisory Board Member for CGN Capital Partners Infrastructure Fund III.

Mr George was Chair of the Clean Energy Council and is a recognised leader in the Australian renewable energy industry, having served as a Panel Member for both the Australian Energy Market Operator and the Australian Energy Market Commission.

Mr George did not hold any other Australian listed entity directorships within the last three years.

Mr George is a member of the Remuneration Committee, the Audit, Risk and Compliance Committee and the Nomination Committee.

(1) In this report, Spark Infrastructure RE Limited is referred to as "Spark RE" or "Company". Spark RE is the responsible entity of Spark Infrastructure Trust, referred to as "Trust". The Trust and its consolidated entities are referred to as "Spark Infrastructure" or "Group".

Mr Greg Martin BEc, LLB, FAIM, MAICD

Independent Director (since January 2017)

Mr Martin is Chair of Iluka Resources Limited and Deputy Chair of Western Power. Mr Martin was a member of the COAG Energy Council Energy Appointments Selection Panel and was previously a director of Santos Limited, Energy Developments Limited and the Australian Energy Market Operator Limited.

Mr Martin has 40 years' experience in the utilities, financial services, energy and energy related infrastructure sectors in Australia, New Zealand and internationally. Mr Martin was CEO and Managing Director of the Australian Gas Light Company for five years. Mr Martin then joined Challenger Financial Services Group as Chief Executive Infrastructure principally engaged in the management of predominantly European and North and South American infrastructure investments.

Mr Martin is Chair of the Remuneration Committee and a member of the Nomination Committee.

Mr Martin has held the following directorships of other Australian listed entities within the last three years:

Listed Entity	Period directorship held
Iluka Resources Limited	2013 to present
Coronado Global Resources Inc	2018 to 2019

Ms Anne Brennan BCom (Hons), FCA ANZ, FAICD

Independent Director (since June 2020)

Ms Brennan is a director of Argo Investments Limited, Charter Hall Group and Tabcorp Holdings Limited. Ms Brennan is also a Director of NSW Treasury Corporation and Rabobank New Zealand Ltd. She was formerly a director of Nufarm Limited and Metcash Limited.

Ms Brennan has almost 40 years' experience in finance and is an experienced non-executive director and finance executive. As a finance executive, Anne has experience as a CFO of CSR Ltd and as finance director of Coates Hire Ltd. She was also a partner in the transactions business of KPMG, Anderson and EY.

Ms Brennan is the Chair of the Audit, Risk and Compliance Committee and a member of the Nomination Committee.

Ms Brennan has held the following directorships of other Australian listed entities within the last three years:

Listed Entity	Period directorship held
Tabcorp Holdings Limited	2020 to present
Argo Investments Limited	2011 to present
Charter Hall Group	2010 to present
Nufarm Limited	2011 to 2020
Metcash Limited	2018 to 2019
Myer Holdings Limited	2009 to 2017

Spark Infrastructure's Executive Team

At the time of reporting, in addition to the Managing Director, the other members of the Company's Executive Team were:

Mr Gerard Dover BSc (Hons), Banking & Finance, FCA (ICAEW), FCT, GAICD

Chief Financial Officer

Mr Dover has extensive experience with private and listed companies. He is a highly commercial executive with an established track record in IPOs, equity and debt raisings, M&A, and performance improvement.

Mr Dover's areas of expertise include power infrastructure and renewable energy, financial and strategic planning, accounting and treasury, IT systems and risk management, with proven competencies in strategy, operations and valuations.

Mr Dover is a director of Victoria Power Networks, SA Power Networks and an alternate director of NSW Electricity Networks Operations (TransGrid). He is also a member of the Victoria Power Networks Audit Committee and Risk Management and Compliance Committee, the SA Power Networks Audit Committee and Risk Management and Compliance Committee and the NSW Electricity Networks Operations Audit and Risk Committee.

Mr Dover was appointed to the position of Chief Financial Officer in October 2019.

Ms Alexandra Finley Dip Law, MLM, MAICD

Chief Risk and Commercial Officer, General Counsel and Company Secretary

Ms Finley is a highly experienced governance professional with over 20 years' experience across infrastructure, banking and financial services, property and construction, real estate investment and development, not-for-profits and in private practice. Her areas of specialty are corporate governance, legal and regulatory compliance, risk management and corporate advisory.

Ms Finley has held senior and executive roles with Top 100 ASX-listed organisations with responsibility for governance, legal, risk and compliance, strategic partnerships and commercial operations.

Ms Finley is a member of the Association for Corporate Counsel GC100 and Chair of a registered children's charity.

Ms Finley was appointed to the position of General Counsel and Company Secretary in September 2008.

Ms Sally McMahon BEc (Hons), GAICD

Head of Economic Regulation and Energy Policy

Ms McMahon has over 25 years' experience in the energy and utility sector specialising in economic regulation, competition policy and microeconomic reform. She has held senior and executive roles with economic regulators, government and network businesses in Australia and Canada and advised energy businesses across the energy supply chain on navigating regulation and energy policy to improve performance.

Ms McMahon is the Chair of the WA Branch of the Women in Economics Network and a member of the Electricity Review Board Panel of Experts in Western Australia.

Ms McMahon is currently an alternate Director of NSW Electricity Networks Operations (TransGrid) and its Regulatory Committee.

Ms McMahon commenced working with Spark Infrastructure in 2016.

Mr Anthony Marriner BCom, PGDA, CA(SA)

Head of Renewables

Mr Marriner has 20 years' experience in investment banking. For the past approximately 10 years he has had a specific focus on energy and utilities. This has entailed numerous transactions relating to regulated networks as well as renewables. He has held senior roles in South Africa and Australia, and has advised on a significant number of successful privatisations, acquisitions, divestments and mergers. He is also a Chartered Accountant (South Africa).

Mr Marriner commenced working with Spark Infrastructure in 2012.

Review of Operations – Spark Infrastructure

The table below provides a summary of Spark Infrastructure's Net Operating Cash Flows:

Standalone Operating Cash Flows	31 December 2020 $M	31 December 2019 $M	Change Compared to 2019 $M	%
Cash Distributions from Investment Portfolio Businesses				
– Victoria Power Networks[1]	**171.5**	159.5	12.0	7.5
– SA Power Networks	**106.6**	116.2	(9.6)	(8.3)
– TransGrid	**22.9**	36.8	(13.9)	(37.8)
Total Cash Distributions Received from Investment Portfolio Businesses	**301.0**	312.5	(11.5)	(3.7)
Net interest (paid)/received	**(1.8)**	1.2	(3.0)	N/M
Bomen Solar Farm margin	**4.7**	–	4.7	N/A
Corporate expenses	**(13.2)**	(13.3)	0.1	(0.8)
Underlying Net Standalone Operating Cash Flows – before tax paid	**290.7**	300.4	(9.7)	(3.2)
Less tax paid[2]	**(37.9)**	(16.9)	(21.0)	124.3
Underlying Net Standalone Operating Cash Flows – after tax paid	**252.8**	283.5	(30.7)	(10.8)
Underlying Adjustments:				
Project and transaction bid costs	**(5.6)**	(5.3)	(0.3)	5.7
Interest on historical tax	**(6.7)**	–	(6.7)	N/A
Other tax paid[3]	**(48.0)**	(21.8)	(26.2)	120.2
Net Operating Cash Flows	**192.5**	256.4	(63.9)	(24.9)

(1) 2019 includes repayment of shareholder loans.

(2) 2020 tax paid of $37.9 million represents tax liability in respect of the 31 December 2019 income tax year. 2019 tax paid of $16.9 million represents tax liability in respect of the 31 December 2018 income tax year.

(3) 2020 other tax paid of $48.0.m is comprised of:
– $34.4 million relating to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office (ATO)
– $13.6 million relating to instalments for the 31 December 2020 income tax year, with respect to the SIH No. 1 and SIH No. 2 Tax Consolidated Groups
2019 other tax paid of $21.8 million relates to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office.

Spark Infrastructure's cash flow from operating activities (referred to as standalone operating cash flow (OCF)) for 2020 was $192.5 million, a decrease of 24.9% on 2019. Spark Infrastructure is transitioning over time to being tax-paying. As this transition occurs tax paid between years will vary significantly. For better comparison period on period, underlying standalone OCF before tax payments (ongoing and historical back-tax) and excluding one-off items such as acquisition and project costs, was $290.7 million for the period, a decrease of $9.7 million or 3.2%.

Cash distributions received from investment portfolio businesses

Total distributions received from Victoria Power Networks were $171.5 million, up 7.5% and distributions received from SA Power Networks were $106.6 million, down $9.6 million or 8.3%, reflecting another good period of operations for both businesses. The distribution reduction from SA Power Networks was as anticipated and reflects the transition into its new regulatory determination with lower regulatory revenues from 1 July 2020. Total distributions received from TransGrid were $22.9 million, down $13.9 million or 37.8%. The decrease was primarily due to TransGrid retaining a portion of operating cash for capital expenditure growth.

Corporate expenses

Spark Infrastructure's recurring corporate expenses decreased by $0.1 million or 0.8% to $13.2 million during 2020 primarily due to a reduction in corporate travel costs and payroll tax.

Tax Paid

During 2020, Spark Infrastructure paid a total of $85.9 million income tax, this amount comprised of income tax in respect of a number of income years and in respect of both the SIH No. 1 and SIH No. 2 tax consolidated groups. Of this, $34.4 million is the outstanding balance (i.e. 50%) of the income tax liability attributable to the income tax years 31 December 2015 to 31 December 2018 inclusive. $33.7 million is attributable to the 31 December 2019 income tax year net of instalments made in 2019 of $4.2 million. The remaining $13.6 million relates to tax instalments in respect of 31 December 2020 income tax year.

Underlying tax paid in 2020 of $37.9 million represents the tax liability in respect of the 31 December 2019 income tax year. Tax paid of $16.9 million represents the tax liability in respect of the 31 December 2018 income tax year.

Prior to the decision of the Full Federal Court regarding Victoria Power Networks and the tax treatment of gifted assets and cash contributions, Spark Infrastructure had settled in full its outstanding liability with the Australian Taxation Office in respect of SIH No. 2 and its investment in the SA Power Networks Partnership. This settlement was on the basis that the Full Federal Court upheld the decision of the Federal Court for both gifted assets and cash contributions, and was done for capital management purposes.

OPERATING AND FINANCIAL REVIEW
CONTINUED

Review of Operations – Spark Infrastructure continued

On 22 October 2020, the Full Federal Court handed down its judgement, which confirmed the ATO's view on the tax treatment of certain cash contributions and found in favour of Victoria Power Networks in respect of the tax treatment of certain gifted assets. As a consequence, Spark Infrastructure now anticipates a partial refund in respect of prior year taxes paid. It is estimated that this refund will be in the order of $40 million with a refund of interest in respect of underpayment of prior year taxes also anticipated of $5.0 million.

Distributions to Securityholders

Spark Infrastructure pays out distributions which are fully supported by operating cash flows. Operating cash flows are reviewed at both the Spark Infrastructure level as well as on a look-through proportionate basis (i.e. at the investment level). Distribution coverage or payout ratios are reviewed on both an annual basis and across regulatory periods (a five-year period), which is currently predominantly based on the 2016-2020 period. Within this framework, Spark Infrastructure also manages fluctuations in its working capital.

During the year Spark Infrastructure paid a final distribution for 2019 of $127.4 million to Securityholders in March 2020, representing 7.5 cents per security (cps), and paid an interim distribution to Securityholders of $120.5 million in September 2020 for the half year to 30 June 2020. This represented a distribution of 7.0 cps.

The Directors have declared a final distribution for 2020 of 6.5 cps bringing the full year distribution in respect of 2020 to 13.5 cps. This will be paid in March 2021. This is the first time Spark Infrastructure Trust distributions have attracted franking credits with the final 2020 distribution for the Trust carrying franking credits of 2.1 cps. The interim and final distributions are fully covered by operating cash flows, and are in line with distribution guidance previously provided.

Spark Infrastructure has a Distribution Reinvestment Plan (DRP) in operation. The Directors regularly assess the operation of the DRP and have determined that it will remain active for the final distribution payable in March 2021. The DRP will be used for general corporate purposes, including to part fund growth opportunities in TransGrid and Value Build opportunities (as appropriate). The DRP will not be underwritten and participating Securityholders will be issued Spark Infrastructure stapled securities at a discount of 2.0% to the price specified under the DRP rules.

Financial Performance - Spark Infrastructure

Underlying Profit before Loan Note Interest and Income Tax	31 December 2020 $M	31 December 2019 $M	Change Compared to 2019 $M	%
Profit before loan note interest and income tax	**280.3**	258.5	21.8	8.5
Addback Project and transaction bid costs(1)	**4.2**	6.0	(1.8)	(30.0)
Addback Interest and tax shortfall penalties(2)	**3.0**	-	3.0	N/A
Less unrealised gains from derivative instruments – Bomen Solar Farm related	**(35.7)**	(6.8)	(28.9)	N/A
Underlying Profit before Loan Note Interest and Income Tax(3)	**251.8**	257.7	(5.9)	(2.3)

(1) Includes project costs and Bomen Solar Farm transaction bid costs, incurred before commercial operations commenced.

(2) Interest charge of $6.7 million less expected refund of $5.0 million and tax shortfall penalties of $1.3 million on historical tax payments made – refer Australian Tax Office Matters below for more information.

(3) Numbers may not add due to rounding.

Financial Position - Spark Infrastructure

Total equity and Loan Notes book value decreased by $17.1 million during 2020 to $2,694.0 million.

Net profit after income tax increased retained earnings by $105.0 million, while Spark Infrastructure's share of the investment portfolio businesses mark-to-market movements on interest rate derivatives and actuarial losses on defined benefit superannuation plans decreased retained earnings and reserves by $74.7 million.

Capital distributions totalling $127.4 million were paid to Securityholders during the year offset by securities and loan notes issued under the March and September DRPs of $80.0 million.

Spark Infrastructure had available cash on hand at 31 December 2020 of $31.9 million, excluding $5.0 million in cash held to comply with its Australian Financial Services Licence. During February 2020, Spark Infrastructure executed $400.0 million of bilateral corporate debt facilities maturing in February 2023, replacing its previous $120.0 million bilateral facilities. The facilities are with banks from the prior facilities, namely the Commonwealth Bank of Australia, MUFG Bank, Ltd and Mizuho Bank Ltd, and now include Westpac Banking Corporation, Sumitomo Mitsui Banking Corporation and China Construction Bank Corporation. Spark Infrastructure pays an average margin of 95 basis points above the applicable bank bill swap rate on amounts drawn from these facilities. A total of $40.0 million of available facilities were drawn down as at 31 December 2020.

Spark Infrastructure targets investment grade credit ratings for each of the businesses in its portfolio and at the corporate level.

Spark Infrastructure requires that the assets in its portfolio are fully hedged against currency fluctuations on foreign currency borrowings. In terms of interest rate hedging, as at 31 December 2020, Victoria Power Networks, SA Power Networks and TransGrid had 94%, 89% and 84% of gross debt hedged respectively, with interest rate swaps with terms between one and ten years in place and some fixed rate debt. This substantially limits the impact of volatility in the movement of interest rates on the financial results of these businesses.

In addition to the above, the Group has interest rate hedge arrangements with Mizuho Bank Limited, MUFG and Commonwealth Bank to allow the Group to fix interest rates of 1.22% to 1.35% on the notional amount (up to $120 million combined) for three to ten years in relation to the debt facilities drawn in relation to the Bomen Solar Farm. The Group has chosen to apply cash flow hedge accounting to reduce the volatility in the statement of profit or loss in relation to these arrangements.

Review of Operations – Investment Portfolio Businesses

Spark Infrastructure derives its earnings from equity interests in four high quality Australian electricity networks across Victoria, South Australia and New South Wales. These are 49% interests in CitiPower and Powercor (together known as "Victoria Power Networks") and SA Power Networks, and a 15.01% interest in the New South Wales electricity transmission business TransGrid.

	31 December 2020 $M	31 December 2019 $M	Change Compared to 2019 $M	%
Proportional Results (Spark Infrastructure's Share)				
Distribution and Transmission Revenue	**1,022.8**	998.1	24.7	2.5
Other Revenue	**155.0**	168.2	(13.2)	(7.8)
Total Revenue	**1,177.8**	1,166.3	11.5	1.0
Operating Expenses	**(330.6)**	(326.4)	(4.2)	1.3
Beon Margin	**9.8**	5.5	4.3	78.2
Enerven Margin	**13.3**	11.2	2.1	18.8
EBITDA	**870.3**	856.6	13.7	1.6
Net Finance Expenses	**(181.4)**	(183.3)	1.9	(1.0)
EBTDA	**688.9**	673.3	15.6	2.3

Victoria Power Networks (100% basis)	31 December 2020 $M	31 December 2019 $M	Variance $M	%
Distribution Revenue[1]	**1,001.1**	956.9	44.2	4.6
Advanced Metering Infrastructure (AMI) Revenue	**81.4**	85.7	(4.3)	(5.0)
Semi-regulated Revenue	**62.4**	60.8	1.6	2.6
Other Unregulated Revenue	**42.0**	47.0	(5.0)	(10.6)
Total Revenue (excluding Beon Energy Solutions (Beon))	**1,186.9**	1,150.4	36.5	3.2
Operating Expenses (excluding Beon)	**(303.9)**	(312.8)	8.9	(2.8)
Beon Margin	**20.1**	11.3	8.8	77.9
EBITDA	**903.1**	848.9	54.2	6.4
Depreciation and Amortisation	**(325.0)**	(316.4)	(8.6)	2.7
Net Finance Expenses	**(165.6)**	(167.2)	1.6	(1.0)
Interest on Subordinated Debt	**(102.3)**	(104.5)	2.2	(2.1)
Tax Expense	**(97.0)**	(83.2)	(13.8)	16.6
Net Profit after Tax	**213.2**	177.6	35.6	20.0
Net Capital Expenditure	**585.2**	507.6	77.6	15.3
RAB	**6,635**	6,339	296	4.7
Net Debt/RAB (%)	**72.3%**	70.9%	N/A	+1.4%
FFO/Net Debt (%)	**13.8%**	15.2%	N/A	-1.4%

(1) Adjustments are made to distribution revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

OPERATING AND FINANCIAL REVIEW
CONTINUED

Review of Operations – Investment Portfolio Businesses continued

Regulated, semi-regulated and unregulated revenues (excluding Beon)

During the year, there was a 3.2% increase in regulated, semi-regulated and unregulated revenue at Victoria Power Networks. 2020 was the final year of the current regulatory determinations for Citipower and Powercor. The businesses have both entered into new regulatory determinations from 1 January 2021.

Distribution Use of System (DUoS) revenue increased during 2020 by 4.6% to $1,001.1 million (2019: $956.9 million). The increase in DUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors (the real increase in annual expected regulated revenue) and the year on year movement in incentive payments.

The X-factor applicable from 1 January 2020 for Powercor was -2.40% (2019: -3.02%) and for CitiPower was -1.88% (2019: -0.12%), which represent real increases in revenues before the CPI uplift of 1.59% (2019: 2.08%) for 2020. DUoS revenue increased by $37.1 million on 2019 as a result of the CPI-X adjustments.

Included within the CPI-X adjustment for Powercor was an amount for costs associated with the installation of Rapid Earth Fault Current Limiters (REFCLs) mandated by the Victorian State Government. REFCLs are a bushfire mitigation technology that work to prevent bushfires starting from fallen powerlines. Powercor is required to install REFCLs at 22 zone substations in Victoria's highest bushfire risk regions within Powercor's network by 1 May 2023. Powercor is well advanced in the delivery of this program, successfully completing Tranche One ahead of the 30 April 2019 target date and is on track to meet the Tranche Two deadline by 30 April 2021. From the start of the 2020/21 summer season, the business will have REFCLs operational at 14 zone substations, protecting over 13,000 km of network and making the Powercor communities safer.

DUoS revenue for 2020 also included $22.2 million of Service Target Performance Incentive Scheme (STPIS) recovery relating to the 2017 regulatory year. DUoS revenue for 2019 included $15.0 million of STPIS recovery relating to the 2017 regulatory year. The purpose of the STPIS is to provide incentives to electricity distributors to maintain and improve the existing supply reliability and customer service performance to customers. STPIS recovery represents outperformance of reliability and call centre targets as set by the regulator.

Revenue from AMI decreased by 5.0% to $81.4 million in 2020 reflective of the depreciating AMI RAB.

Victoria Power Networks' semi-regulated revenues increased 2.6% to $62.4 million, mainly due to an increase in new connections. The volume of new connections increased 2% compared to previous year driven largely by residential growth in the Powercor network.

Victoria Power Networks' unregulated revenue (excluding Beon) decreased by 10.6% to $42.0 million in the year. The decrease is primarily due to one-off proceeds from sale of properties in the previous year.

Regulated, semi-regulated and unregulated operating expenses (excluding Beon)

Operating expenses for Victoria Power Networks decreased by 2.8% to $303.9 million in 2020. The movement year on year was impacted by a net $20.8 million positive (non-cash) revaluation adjustment to employee entitlements provisions as a result of a fall in bond rates in the previous year. Adjusting for this impact, operating expenses increased by $12.0 million or 4.0% as a result of higher lines maintenance, faults and insurance costs.

Beon Energy Solutions

The Beon Energy Solutions business continues to perform well, with unregulated revenue earned of $233.8 million in 2020 driven largely by a number of new solar farm projects (including the Bomen Solar Farm). The overall margin earned increased by $8.8 million to $20.1 million.

External financing expenses

Victoria Power Networks' net finance expenses decreased in 2020 by $1.6 million to $165.6 million. The decrease was primarily due to lower interest charges on refinanced debt partially offset by a $1.9 million loss on a non-cash credit valuation hedge adjustment recognised in 2020 (2019: $0.4 million gain).

Tax Expense

Victoria Power Networks' tax expense increased in 2020 by $13.8 million to $97.0 million. The increase was primarily due to an increase in profit before tax.

Capital expenditure

Continued investment in the augmentation and maintenance of the CitiPower and Powercor networks resulted in a 15.3% increase in net capital expenditure in 2020 to $585.6 million. COVID-19 has not impacted the delivery of the capital program in the year and the main drivers for the uplift in capital spend compared to the previous year relate to the continuation of the REFCL program, the pole replacement program and development of new depots.

SA Power Networks (100% basis)	31 December 2020 $M	31 December 2019 $M	Variance $M	Variance %
Distribution Revenue[1]	**849.2**	848.8	0.4	-
Semi-regulated Revenue	**81.4**	97.3	(15.9)	(16.3)
Unregulated Revenue	**11.6**	14.0	(2.4)	(17.1)
Total Revenue	**942.2**	960.1	(17.9)	(1.9)
Operating Expenses	**(301.2)**	(292.2)	(9.0)	3.1
Enerven Margin	**27.1**	22.8	4.3	18.9
EBITDA	**668.1**	690.7	(22.6)	(3.3)
Depreciation and Amortisation	**(325.6)**	(306.5)	(19.1)	6.2
Net Finance Expenses	**(137.2)**	(138.7)	1.5	(1.1)
Interest on Subordinate Debt	**(72.7)**	(72.5)	(0.2)	0.3
Tax Expense[2]	**(3.5)**	(3.5)	-	-
Net Profit after Tax	**129.1**	169.5	(40.4)	(23.8)
Net Capital Expenditure	**368.7**	405.6	(36.9)	(9.1)
RAB[3]	**4,395**	4,340	55.0	1.3
Net Debt/RAB (%)	**73.9%**	74.5%	N/A	-0.6%
FFO/Net Debt (%)	**15.9%**	16.7%	N/A	-0.8%

(1) Adjustments are made to distribution revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

(2) Tax expense relates to Enerven Energy Infrastructure Pty Ltd, a subsidiary company of SA Power Networks. SA Power Networks is itself a partnership and as such all of its taxable income is recognised at the Spark Infrastructure level as is the related tax expense.

(3) Including public lighting RAB.

Regulated, semi-regulated and unregulated revenues (excluding Enerven)

During the year there was a 1.9% decrease in regulated, semi-regulated and unregulated revenue at SA Power Networks. SA Power Networks commenced its new five-year regulatory determination on 1 July 2020, hence 2020 represents the final six months of the previous determination and six months of its new determination. The new regulatory determination has lower revenues for the next five years with the regulatory rate of return based on a risk-free rate of 0.9%.

SA Power Networks increased its DUoS revenue by $0.4 million to $849.2 million in 2020. The increase in DUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors and the year on year movement in incentive payments.

The X-factor (the real increase in annual expected regulated revenue) applicable from 1 July 2019 was -0.85%, which represents a real increase in revenues before CPI of 1.78% (at 1 July 2019). DUoS revenue increased by $10.7 million as a result of the CPI-X adjustment. SA Power Networks was not required to apply an X-factor for 2020/21 because the AER set the 2020/21 expected revenue in its Final Determination. The expected revenue for 2020/21 is around 9.4% lower than the approved total annual revenue for 2019/20 in real terms, or 7.3 % lower in nominal terms.

DUoS revenue for 2020 also included $34.0 million of STPIS recovery relating to the 2018/19 and 2017/18 regulatory years. DUoS revenue for 2019 included $29.3 million of STPIS recovery relating to the 2017/18 and 2016/17 regulatory years.

Semi-regulated revenues were down by 16.3% on 2019 to $81.4 million. The decrease was largely due to a prior year $6.5 million public lighting provision write-back and current year provision of $5.0 million. Excluding this, semi-regulated revenues were down 4.8% as a result of declining activity across all areas of asset relocation, embedded generation and council funded replacement of public lighting.

Regulated, semi-regulated and unregulated operating expenses (excluding Enerven)

SA Power Networks' operating expenses were $301.2 million, an increase of 3.1% from 2019. This increase was largely due to a revised corporate overhead capitalisation policy resulting in an increase in costs in 2020 offset by the impact on 2019 of provisions raised in relation to the November and December bushfire events in 2019 and reduced expenditure in connection with emergency response and lower labour costs.

Enerven

Unregulated revenue received by Enerven increased by 10.4% to $296.2 million (2019: $268.2 million) in 2020. The Enerven margin increased by $4.3 million driven largely by commercial solar installations, such as the SA Water solar initiative and ElectraNet construction projects. Enerven was engaged in deploying solar and battery capability to a significant number of SA Water sites under a framework contract of up to $300 million in revenue over 2019 and 2020. The increase was partially offset by a reduction in revenues from the NBN contract as the project was completed in 2019.

Depreciation and Amortisation

Depreciation and amortisation increased by 6.2% to $325.6 million largely due to the write-down of metering contestability software that will be replaced by a new billing system in 2021.

External financing costs

Net finance costs decreased by 1.1% during the year to $137.2 million principally as a result of lower interest on refinanced debt partially offset by a net $0.7 million movement (loss) in a non-cash credit valuation hedge accounting adjustment. The credit valuation hedge adjustment is a change to the market value of derivative instruments to account for counterparty credit risk.

Capital expenditure

Continued investment in the augmentation and maintenance of the South Australian network resulted in net capital expenditure of $368.7 million in 2020, a decrease of 9.1% on 2019. The reduction is mainly attributable to decreased network expenditure in line with the new regulatory determination and lower capitalised overheads.

OPERATING AND FINANCIAL REVIEW CONTINUED

Review of Operations – Investment Portfolio Businesses continued

TransGrid (100% basis)	31 December 2020 $M	31 December 2019 $M	Variance $M	Variance %
Transmission Revenue[1]	**773.6**	754.5	19.1	2.5
Unregulated Revenue	**124.2**	120.1	4.1	3.4
Other Revenue[2]	**(1.4)**	5.4	(6.8)	N/A
Total Revenue	**896.4**	880.0	16.4	1.9
Regulated Operating Expenses	**(165.1)**	(155.6)	(9.5)	6.1
Unregulated Operating Expenses	**(62.2)**	(43.4)	(18.8)	43.3
EBITDA	**669.1**	681.0	(11.9)	(1.7)
Depreciation and Amortisation	**(348.4)**	(354.2)	5.8	(1.6)
Net Finance Expenses	**(220.3)**	(222.2)	1.9	(0.9)
Interest on Shareholder Loans	**(62.0)**	(79.8)	17.8	(22.3)
Net Profit/(Loss)	**38.4**	24.8	13.6	54.8
Capital Expenditure	**708.2**	493.3	214.9	43.6
Regulated and Contracted Asset Base (RCAB)	**7,516.5**	7,126.0	390.5	5.5
Net Debt/RCAB[3][4] (%)	**80.7%**	80.2%	n/a	+0.5%
FFO/Net Debt[5] (%)	**7.4%**	8.1%	n/a	-0.7%

(1) Adjustments are made to transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

(2) FY2020 amount includes ($1.7 million) negative revaluation of investment property.

(3) Regulated and contracted asset base. RCAB is based on 31 December 2020 estimate.

(4) Net Debt is calculated using gross debt less cash and adjusted for prescribed revenue over/(under) collection and includes TransGrid Services.

(5) Relates to TransGrid Obligor Group.

Regulated revenue

TransGrid's Transmission Use of System (TUoS) revenue increased by 2.5% in 2020 to $773.6 million. TransGrid is mid-way through its current five-year regulatory period which runs until 30 June 2023. The increase in TUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors, year on year movement in incentive payments and an adjustment relating to the revocation and substitution of TransGrid's revenue determination for the 2014-2018 regulatory period as advised by the AER.

- TransGrid's TUoS X-factor, which applied from 1 July 2019, was -0.97%, resulting in a real increase in revenues before CPI through to 30 June 2020. The X-factor applying from 1 July 2020 was -0.17%, a further real increase before CPI. The inflation rates applying from 1 July 2019 and 1 July 2020 were 1.80% and 1.80% respectively. TUoS revenue increased in 2020 by $18.2 million as a result of the CPI-X adjustments.
- TransGrid's TUoS revenue for 2020 also included $15.3 million of STPIS benefits relating to the 2018 and 2019 calendar years. In 2019, TUoS revenue included $16.1 million of STPIS benefits relating to the 2017 and 2018 calendar years.

Unregulated revenue

Unregulated revenue was $124.2 million, an increase of $4.1 million on 2019.

Unregulated revenue includes $106.2 million of infrastructure services revenue which was mainly derived from transmission connections and line modifications (and associated consulting services) as part of asset relocations and telecommunications growth in data services and co-location facilities. The increase was primarily a result of an increase in the number of completed new infrastructure connections in the current year.

Unregulated revenue also included $13.1 million (2019: $11.1 million) from telecommunications and $4.9 million (2019: $5.0 million) from property services, consistent with the prior year.

Operating expenses

Regulated operating expenses increased by 6.1% to $165.1 million, principally due to bushfire remediation costs of $12.8 million incurred as a result of damage sustained during the November and December 2019 bushfires. Excluding this amount regulated operating expenses decreased by 2.1% due to lower operational costs as a result of operating efficiencies gained.

Unregulated operating expenses and other costs were $62.2 million, an increase of $18.8 million, mainly due to an increase in new infrastructure connections, partially offset by a reduction in line modification projects. Additional project development costs were incurred to support the acceleration of TransGrid's rapidly expanding non-prescribed connections pipeline, which is delivering increased contracted revenue growth.

External financing expenses

TransGrid's net finance expenses for 2020 decreased by 0.9% to $220.3 million. The decrease is primarily due to lower short-term market interest rates, partially offset by the interest expense on increased debt utilisation on existing and new facilities.

Capital expenditure

Capital expenditure was $708.2 million, an increase of $214.9 million on 2019. Regulated capital expenditure increased by 96.7% to $501.0 million mainly due to investment in augmentation projects including Powering Sydney's Future, Stockdill Switching Station and ISP projects including Energy Connect, QNI Minor upgrade project and higher maintenance capital expenditure. Unregulated capital expenditure in 2020 of $207.2 million was due to a number of solar farm connections and additional telecommunications capital expenditure.

Continued investment in the augmentation and maintenance of the regulated network is added to TransGrid's RAB, generating TUoS revenue in future periods. Unregulated capital expenditure invested by TransGrid will result in increased contracted revenues. The contracted revenue will increase progressively as each project is completed and then escalate with inflation over their 25-30 year contract periods.

Bomen Solar Farm

On 17 April 2019, Spark Infrastructure acquired a 100% interest in the 120 $MW_{(DC)}$/100 $MW_{(AC)}$ Bomen Solar Farm project, located 10 km north-east of Wagga Wagga in NSW. Beon Energy Solutions (Beon), owned by Victoria Power Networks, was appointed as engineering, procurement and construction (EPC) contractor. Bomen Solar Farm connects into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term. A further 0.5 $MW_{(DC)}$ was added through optimised design.

Construction of Bomen Solar Farm commenced in June 2019 and reached mechanical completion in late January 2020. Energisation was completed on 27 February 2020 and commissioning commenced in late February. Bomen Solar Farm has been able to export 100% of generation since late-June 2020, with all inverters live and operational, after which there were no further restrictions applied to the farm's output.

Power purchase agreements (PPAs)

Bomen Solar Farm produces electricity and Large-Scale Renewable Generation Certificates (LGCs). Bomen Solar Farm has long-term PPAs in place with high-quality counterparties providing stable and predictable cash flows for up to ten years. Under the PPA arrangements, the difference between the market and the contract price is settled on a net basis with the counterparty. Bomen Solar Farm has PPAs with Westpac for ten years and with Flow Power for a range of contract durations of five, seven and ten years. These provide a strong and stable revenue stream which is ~95% contracted for the first five years and ~82% contracted over the first ten years. Bomen Solar Farm is expected to generate average annual revenue of approximately $13.5 million for the first five years.

Bomen Solar Farm (100% basis)	Underlying 31 December 2020 $M
PPA Fixed Revenue	**6.2**
Merchant Electricity Revenue	**0.1**
Merchant LGC Revenue	**0.7**
Total Revenue	**7.0**
Operating Expenses	**(1.7)**
EBITDA	**5.3**

Bomen Solar Farm performed well during the first six months of operations from 1 July to 31 December 2020, generating total revenues of $7.0 million (excluding unrealised gains on PPA). The performance has been underpinned by the fixed revenues associated with the PPA agreements with Westpac and Flow Power. Bomen Solar Farm generated 105.1 GWh of renewable energy during the period, experienced minimal downtime and had no material curtailment or outages. Strong pricing in the LGC market supported the generation of $0.7 million during the period of operation in 2020 through the sale of merchant LGCs.

Increased rainfall experienced in the period has supported the regeneration of grass at Bomen Solar Farm post construction. Operating expenditure has been in line with expectations and has included additional vegetation management to address the increased growth in grass on site.

In January 2021 there was a fault to Bomen Solar Farm's 33 kV switchgear at the onsite substation. The fault resulted in Bomen Solar Farm going offline for 20 days. Restoration of the fault is complete and the farm recommenced generation on 31 January 2021. The solar farm is still in the Defect Liability Period under the EPC contract and it is therefore the EPC Contractor's responsibility to arrange for repair and restoration at their cost. The outage will also result in liquidated damages (subject to a cap) being paid by the O&M Contractor under the O&M Contract (in terms of the quarterly Availability Guarantee), which will partially offset the non-material loss of revenue estimated at approximately $1.0 million. The fault is still under investigation by the manufacturer.

Australian Tax Office Matters

As previously disclosed, Victoria Power Networks has had an ongoing dispute with the ATO in respect of the tax treatment of certain cash contributions and gifted assets made by customers to Victoria Power Networks as part of contractual arrangements with these customers.

The dispute culminated in a hearing in the Federal Court in early December 2018, with the decision of that court subsequently appealed to the Full Federal Court in August 2020. On 22 October 2020, the Full Federal Court handed down its judgement, which confirmed the ATO's view on the tax treatment of certain cash contributions and found in favour of Victoria Power Networks in respect of the tax treatment of certain gifted assets.

In summary, the Full Federal Court decided that:

- For assets constructed by Victoria Power Networks whereby the customer contributes to the cost of construction of such assets, the cash contribution should be treated as assessable income for tax purposes on receipt. This decision was consistent with the Federal Court decision and confirmed the ATO's view; and
- For assets transferred to Victoria Power Networks from customers (i.e. gifted assets), the receipt of the gifted assets will not give rise to an amount of assessable income (after the offset of any rebate paid by Victoria Power Networks to the customer) to Victoria Power Networks. This decision reversed the decision of the Federal Court and confirms Victoria Power Networks' view of the tax treatment of such assets.

As there has been no further appeal by either party, the decision of the Full Federal Court is final in respect of the tax treatment of both cash contributions and gifted assets.

Due to the decision of the Full Federal Court outlined above and the similarities between the factual position of Victoria Power Networks and SA Power Networks it is believed that there is now a sufficient basis for the tax treatment to be finalised. This means the tax treatment of cash contributions remains unchanged from the prior year but the tax treatment of gifted assets is reversed.

OPERATING AND FINANCIAL REVIEW
CONTINUED

Australian Tax Office Matters continued

As such, a tax receivable has been recognised of $40.0 million by SIH No.2 as the head entity for the SIH No. 2 tax consolidated group for the periods up to and including the year ended 31 December 2020. This reflects the estimated refund that is anticipated that SIH No.2 will receive in respect of prior years for overpayment of tax as a consequence of including gifted assets in assessable income. It is also anticipated that SIH No. 2 will receive a refund of interest that was paid in respect of underpayment of tax in prior years due to gifted assets being originally judged to be assessable for tax purposes. An interest receivable balance of $5.0 million has been recognised in this regard. The ATO also issued shortfall penalty notices for $1.3 million in respect of the lodgement of prior year income tax returns and the basis upon which such returns were submitted. SIH No. 2 has objected to these penalty notices but no formal decision has been made in respect of these penalty amounts.

Victoria Power Networks became a taxpayer in respect of the 31 December 2019 year with tax paid of $30 million paid in June 2020. As a consequence of the litigation outcome Victoria Power Networks anticipates a refund of $23.0 million in respect of 31 December 2019. Victoria Power Networks expects to access the Government's COVID -19 economic recovery measures which include the temporary full expensing of capital expenditure for the 31 December 2020 to 31 December 2022 years. The anticipated overall impact is timing in nature, which gives rise to lower tax liabilities in the above income years.

As at 31 December 2020, the Spark Infrastructure Group has collectively paid $124.3 million of income tax, with a refund of $40 million as discussed above anticipated. The net amount of $84.3 million represents approximately 4.9 cents per security (cps) of franking credits of which 2.1 cps have been attached to the final distribution for 31 December 2020. The remaining 2.8 cps along with ongoing tax payments made by Spark Infrastructure and franking credits received by Victoria Power Networks are expected to result in partial franking of the distribution on an ongoing basis.

Impairment Testing

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's assets to determine whether there is any indication that those assets have suffered an impairment loss. At 31 December 2020, Directors determined that no indicators of impairment existed for Spark Infrastructure's investments in Victoria Power Networks, SA Power Networks, TransGrid or Bomen Solar Farm and no impairment testing was undertaken.

Update on Energy and Regulatory Matters

Regulatory Determinations

On 5 June 2020, the Australian Energy Regulator (AER) released the final determination for SA Power Network's five-year regulatory period commencing on 1 July 2020. The AER's final determination was broadly in line with SA Power Network's revised proposal. The rate of return in the final decision reflects the prevailing low risk-free rate and inflation, together with the reduced equity risk premium as set out under the Rate of Return Instrument.

On 20 September, the AER released its draft determination for Victoria Power Networks (CitiPower and Powercor) for the regulatory period commencing 1 July 2021 (and transition period between 1 January 2021 and 30 June 2021). The draft decision reduced Victoria Power Network's revenue by 11% compared to the proposal driven mainly by reductions in the regulated return under the 2018 Rate of Return Instrument and reductions to expenditure allowances. Victoria Power Network's revised proposal provided on 3 December 2020 provided further information to support expenditure and a 2.5% increase in revenue from the draft decision. A final decision is due in April 2021.

These processes will provide revenue certainty for SA Power Networks and Victoria Power Networks until 30 June 2025 and 30 June 2026 respectively. The AER formally commenced TransGrid's revenue process for the regulatory period commencing on 1 July 2023 in November 2020 by consulting on changes to the Framework and Approach. Once finalised in July 2021, the Framework and Approach sets out service classification and incentive schemes to guide TransGrid's proposal due in January 2022.

Contingent Project Applications (CPAs)

TransGrid received approval of the CPA for the NSW-QLD Interconnector (QNI-minor) in April 2020 following approval that the regulatory investment test for transmission (RIT-T) was satisfied in March 2020. The AER's decision supports capital cost of $218 million and an increase in TransGrid's revenue in the current regulatory period of $28.2 million.

TransGrid lodged its CPA for the $45 million Victoria-NSW Interconnector (VNI) project in November 2020. The AER is assessing the CPA concurrently with the RIT-T with a decision expected in the first quarter of 2021. If approved, TransGrid's revenue will be increased by $9.4 million in the current regulatory period.

TransGrid provided updated information to the AER in September 2020 to support the $1.9 billion Project EnergyConnect. The AER released it's preliminary view in December 2020 that the capital costs should be 10% lower and that it was unable to make a final decision until TransGrid's Board commits to undertake the project and the Australian Energy Market Commissions (AEMC) review of the financeability rule change proposal lodged by TransGrid in October 2020 is complete.

TransGrid lodged a rule change proposal with the AEMC in October 2020 to remove the requirement to index the asset base of major ISP projects for inflation. The changed rule would bring forward the recovery of revenue to be more in line with the expected financing costs of the project. The AEMC released its draft determination in early February that the rule change is not warranted. A final determination is expected in April 2021. TransGrid remains in discussion with the AEMC and AER and has not yet made any decision to proceed or not with the project.

Powercor has continued its program to roll out REFCLs in Victoria with the AER approving the CPA for Powercor's third tranche of REFCLs in January 2020.

(1) Small retailers exclude AGL Energy, Energy Australia, ERM Power, Lumo Energy, Momentum Energy, Origin Energy, Red Energy, Simply Energy, Stanwell Corporate and all of their affiliates.

Energy and regulatory policy

Response to the COVID-19 pandemic

Our businesses provided support for electricity customers in hardship due to COVID-19 as part of the Network Relief Package announced by Energy Networks Australia (ENA). This package provided for network charges to residential customers of small retailers[1] and business customers to be waived, and network charges to residential customers of large retailers to be deferred for the period 1 April to 30 June 2020. The package also ensured there would be no disconnections without customer agreement before 31 July 2020, waived disconnection and reconnection fees for small business customers that have ceased operation, and minimised frequency and duration of planned outages.

Support has continued under the new rule (Deferral of Network Charges) that enables some retailers to defer the payment of network charges for small customers in hardship for six months for the period 6 August 2020 to 6 February 2021. This rule intends to support retailers that may be in hardship due to customers in hardship during the COVID-19 economic crisis not paying bills. Where distribution network charges are deferred, transmission network charges can also be deferred. Retailers will be required to pay 3% interest on deferred charges which will not be included in revenue for the purposes of revenue adjustments. This rule does not apply in Victoria.

The Victorian distributors (including CitiPower and Powercor) have adopted a similar scheme to allow certain retailers to defer the payment of network charges incurred between August 2020 and January 2021, for a subset of customers, for a period of six months. It will apply to bills issued in the period 1 September 2020 to 28 February 2021. The modified network tariff relief package will not require retailers to pay 3% per annum interest to distributors on deferred charges.

The Group continues to monitor developments in the COVID-19 pandemic. Impact on the Group's financial results, cash flows and financial position will continue to be monitored and has had an immaterial impact of $2.3 million of forgone revenue on the businesses 31 December 2020 results. The extent and longer-term impacts of COVID-19 cannot yet be determined and may impact future financial results.

Rate of Return Instrument (RORI) and inflation

The RORI that establishes the regulated rate of return is reviewed every four years and the AER has commenced the review for the 2022 RORI. The early process has included a series of papers providing updated data and preliminary views on the estimation approach in advance of the active phase due to commence in May 2021.

The AER finalised its review of the regulatory treatment of inflation in December 2020. While the RORI remains the governing instrument for the efficient cost of capital, the AER's treatment of inflation can affect the opportunity for a business to receive revenue commensurate with the efficient cost of capital. The AER has revised its method for forecasting expected inflation to match the term of the regulatory period and lengthened the time for reverting to the mid-point of the RBA's target range (2.5%) and the RBA short-term forecasts. This change is most likely to reduce the difference between market expectations of inflation and the AER's forecast and improve the likelihood that returns to equity investors in network businesses will be closer to the allowed regulated return. This change in methodology is to be adopted for Victoria Power Networks' regulatory period commencing 1 July 2021.

AEMO Integrated System Plan (ISP)

The final rules to make the ISP actionable came into effect on 1 July 2020. These rules streamline regulatory processes for projects identified in the ISP whilst retaining a cost benefit assessment and preventing misalignment between the ISP and the RIT-T. By formalising the role, process, and function of the ISP, the specific rules to apply to 'Actionable' ISP projects will improve the certainty and timing of investment in transmission augmentation.

AEMO released its final 2020 ISP in July 2020. The ISP is a whole-of-system plan to maximise net market benefits and deliver low-cost, secure and reliable energy through its transition to a range of plausible energy futures. It includes approximately $20 billion in investment in interconnectors and supporting renewable energy zones (REZs) and is expected to deliver $11 billion in net market benefits. The plan is based on findings that distributed generation capacity is expected to double or even triple and over 26 GW of new grid-scale renewables is needed. The critical role of investment in transmission interconnectors and support for REZs was confirmed.

The ISP identified more than $7 billion investment in Actionable ISP Projects in NSW (expected to be delivered by TransGrid) before the end of 2028. This includes VNI Minor, Project EnergyConnect, HumeLink and Central-West Orana REZ transmission link and VNI West (subject to conditions). Preparatory works are required for Future ISP projects that will support the New England and North-West NSW REZs and supply to Sydney/Newcastle/Wollongong. AEMO recognised that there have been some significant changes in the cost of transmission and generation projects including an increase in the estimated cost of Project EnergyConnect.

Support for the investment outlined in the ISP is also provided in the NSW Government's Transmission Infrastructure Strategy released in November 2018 and Electricity Strategy released in November 2019. These strategies aim to encourage interconnection and regional development of REZs, including a plan to deliver the Central-West Orana, New England and South-West REZs, and reduce barriers to investment. This includes seeking registers of interest and providing funding. Increased transmission (and specifically Project EnergyConnect) is also part of the SA Government's long-term electricity strategy.

Post 2025 National Electricity Market and Renewable energy zones

The Energy Security Board (ESB) released a Directions paper in January 2020 that summarised the progress and positions on various elements of the work undertaken during 2020 as part of its review of the post 2025 national electricity market (NEM) design. This included supporting a package of rule changes and further work on developing markets for essential services (including system strength, fast frequency response and operating reserves), integrating distributed energy resources, implementing local marginal pricing and financial transmission rights, and establishing two-sided markets.

The ESB is developing rule changes to support a REZ framework in advance of Grid Access reforms. The proposed rule changes will incorporate REZs in the ISP, provide for the role of a jurisdictional planner to develop a detailed and staged development plan for priority REZs, and co-ordinate and develop a framework to support staged development of REZs and identify required transmission infrastructure and the location of connection hubs within a REZ. The framework is expected to cover regulated investment and include a REZ-specific access regime that provide generators with firm capacity rights. Recommendations are to be provided to NEM Ministers in April 2021.

The development of REZs is being further progressed in parallel by state governments through a series of reforms including underwriting support and assurance for transmission connections and new generators, and state-based regulatory requirements for investment tests, access, cost recovery and pricing. The state-based arrangements are most notably outlined in the NSW Infrastructure Roadmap and captured in legislation established in both NSW and Victoria.

OPERATING AND FINANCIAL REVIEW
CONTINUED

Outlook

New five-year regulatory decisions for both SA Power Networks and Victoria Power Networks will be in force from 2021. These new regulatory decisions put downward pressure on revenues for those businesses, largely due to sustained low interest rates affecting regulatory returns and the low inflationary environment. In response, we expect both businesses to closely review all operating and capital expenditure plans, with a view to minimising any non-essential or discretionary expenditure.

Our strategy remains unchanged, being Value Enhance, Value Build and Value Acquire. We remain committed to growing our contracted renewables business and have built an exciting pipeline of high quality development opportunities. As always, we remain cautious and disciplined in the evaluation of these opportunities given the uncertainty and volatility that currently exists in these markets.

With renewed regulatory revenue certainty and resolution of the tax appeal in 2020, the Board has now provided distribution guidance for 2021 of 12.5 cps, subject to business conditions. In addition, it is expected that the distribution will carry franking credits of around 3 cps. The distribution is intended to be spread equally between the first half and second half of the year. We expect cash distributions to Securityholders will be sustained from net operating cash flows across the five-year period.

Distribution guidance for 2021 has been rebased on the new five-year regulatory decisions and the expected tax refund following the successful tax appeal in 2020. Looking forward, we intend to target growth in distributions at or around CPI through the new regulatory period to 2025, subject to business conditions. In addition, franking credits are expected to average around 25% of the distribution over that period.

Within this context and subject to the AEMO 2020 ISP major projects proceeding, Spark Infrastructure is expecting to deliver RCAB growth over the next five years approaching 4% per annum CAGR. While growth in SA Power Networks and Victoria Power Networks will be funded from operational cash flows and debt as they have been previously, we expect that any equity commitments to support TransGrid major projects or Spark Infrastructure Value Build growth can be met by continued operation of the DRP, i.e. the DRP will be used to manage equity for growth ensuring sufficient cash exists at the corporate level to fund distributions to Securityholders.

REMUNERATION REPORT

Dear Securityholders,

On behalf of the Board we are pleased to present our 2020 Remuneration Report for which we will seek your approval at our Annual General Meeting in May 2021. The Report covers the remuneration arrangements for our Executives and Non-Executive Directors for the year ended 31 December 2020 (FY2020).

Group performance in 2020

The Group has performed solidly throughout 2020 despite the challenges posed by the major bushfires at the start of the year followed by the COVID-19 pandemic. The resilience of our high quality electricity network businesses has been evident with underlying look-through EBITDA of $862.4 million driven by growth in regulated and unregulated businesses and through continued cost control. This enabled the Directors to confirm a distribution of 13.5 cents per security (cps) for FY2020, maintaining previous guidance notwithstanding the impacts of COVID-19. We have also been able to provide distribution guidance for FY2021 of 12.5 cps against a backdrop of market uncertainty thereby serving our objective of providing long-term sustainable value through distributions plus growth.

The Board takes a disciplined approach to assessment of performance and determination of remuneration outcomes. The Board believes that the outcomes as set out in this report balance the accomplishments of management and our investment businesses against the challenges of a year significantly impacted by the global pandemic and the progress achieved against our three-part Value strategy and objectives.

In 2020 our investment businesses continued to be the most efficient networks in the National Electricity Market while the businesses supported customers through the Network Relief Package. Our distribution businesses have concluded their five-year regulatory periods with new regulatory revenue certainty now extending out to 2025, and the Bomen Solar Farm was completed on time and significantly under budget and is now fully operational. We also have a strong pipeline of growth opportunities supported by AEMO's 2020 ISP and we have a capital management strategy to support an exciting pipeline of renewable opportunities.

Changes to remuneration in 2020 and 2021

During 2019 the Board undertook a review of the short term incentive (STI). The review considered alignment with the Group strategy, feedback from investors, and current and emerging market practice. As a result of the review the following changes were made to the STI for 2020:

- The Performance Gateway for the financial component of the STI was changed to look-through EBITDA, set at a minimum threshold relative to the 2020 Budget;
- A Values/Behaviour Modifier was added to the non-financial component of the STI; and
- Our financial performance measures were subject to minor updates, with the introduction of metrics for asset base annual growth and for construction and performance of the Bomen Solar Farm against budget, replacing TransGrid Unregulated Revenue Growth.

The Managing Director's fixed remuneration was increased by 2% from 1 January 2020. Board fees were similarly increased by 2% while Board Committee fees were unchanged.

We consider the structure of the Remuneration Framework to be fair, balanced and an appropriate fit for the operations of Spark Infrastructure and its investment portfolio.

The Remuneration Framework provides:

- *Value creation for Securityholders* by delivering a combination of increasing capital growth and sustainable distributions, focusing on effective cost management through the financial measures of our incentive plans; and
- *A link to our business objectives* by rewarding for delivering the strategy, delivering operational efficiency, enhancing organisational performance, and encouraging the disciplined pursuit of long-term renewable assets and acquisitions.

There are no major changes planned for the Remuneration Framework in 2021. Recognising the challenging environment in which we are operating, except for changes in roles and responsibilities, the Board has determined that there will be no increases in fixed remuneration for all staff including the Managing Director and no changes to Board and Committee fees for 2021.

Whilst there are no major changes planned for 2021, we will continue to engage with investors through 2021 to ensure the current remuneration framework meets Securityholder expectations.

FY2020 remuneration outcomes

The following remuneration results were achieved during the year:

- **STI:** For the Managing Director 78.7% of the maximum STI opportunity was awarded, or $705,983. Half of this incentive is to be paid in cash and the remaining 50% deferred into Rights over 12 and 24 months.
  - For the financial component of the STI (representing 60% of the total STI opportunity) the look-through EBITDA Performance Gateway was met and the Managing Director achieved 77.9% of the maximum.
  - For the non-financial component of the STI (representing 40% of the total STI opportunity) the Managing Director achieved 80.0% of the maximum and there was no adjustment in relation to the Values/Behaviour Modifier.
- **LTI:** 77.9% of the 2017 LTI grant vested. The remaining 22.1% of the award lapsed. The 2017 LTI comprised three metrics; the performance of each is set out below.
  - Risk adjusted TSR (50% of the total award) performance was ranked at the 64.7th percentile of the peer group (the S&P/ASX 200) resulting in a 70% vesting outcome for that performance measure.
  - Look-through Operating Cash Flow (25% of the award) of $1,074.6 million resulted in a 100% vesting outcome for that performance measure.
  - Standalone Operating Cash Flow (25% of the award) of $847.1 million resulted in a 71.7% vesting outcome for that performance measure.

The Board is satisfied that FY2020 remuneration outcomes reflect Group performance and has determined that it will not apply either upward or downward discretion to the outcomes.

Outcome of Federal Court appeal and impact on FY2019 STI outcomes

Last year, due to the ongoing Full Federal Court tax appeal, the Board deferred assessment of the distribution guidance Performance Gateway for the financial component of the 2019 STI for the Managing Director until the outcome of the appeal was known. Accordingly, the financial component of the 2019 STI for the Managing Director (being $408,208) was not paid and reported as a contingent STI in the 2019 Remuneration Report.

In light of the successful appeal outcome the Board reviewed whether the financial component of the 2019 STI should be paid. To make this decision the Board assessed the distribution guidance Performance Gateway by considering the distribution the Board could have declared with respect to the 2019 financial year with the knowledge that gifted assets were not assessable for income tax purposes. Noting the cumulative refund of tax expected to be received and that standalone cash flows after tax for 2019 (adjusted for the successful appeal outcome) would have been approximately 16.7 cents per security, the Board considered that the distribution guidance Performance Gateway would have been met and the financial component of the 2019 STI would have been paid.

Accordingly, the Board determined to pay the financial component of the 2019 STI with 50% paid in cash and 50% deferred into Rights in line with the original award timing.

We hope you find this Remuneration Report informative and we look forward to receiving your support at the AGM.

D McTaggart
Chair
Spark Infrastructure

G Martin
Chair
Remuneration Committee

Sydney
23 February 2021

REMUNERATION REPORT

for the year ended 31 December 2020

CONTENTS

The Directors of Spark Infrastructure RE Limited present this Remuneration Report (Report) for the consolidated entity for the year ended 31 December 2020, prepared in accordance with section 300A of the Corporations Act 2001 (Act). The Report provides information on the remuneration arrangements for Key Management Personnel (KMP), including Executive KMP (Executives) and Non-Executive Directors (NEDs) for 2020.

The information provided in this Report has been audited as required by section 308(3C) of the Act. This Report forms part of the Directors' Report.

The Report covers the following:

1. SUMMARY OF KMP REMUNERATION ARRANGEMENTS AND DEFINED TERMS

The Board, through its Remuneration Committee (RemCo), continues to review KMP remuneration arrangements to ensure they align with Spark Infrastructure's business strategy and take into consideration feedback from Securityholders, as appropriate.

This section highlights defined terms used throughout this Report as well as key elements of KMP remuneration for 2020.

1.1 Key Management Personnel

This Report covers Spark Infrastructure's KMP, comprised of Executives and NEDs. For the year ended 31 December 2020, the KMP were:

KMP	POSITION	TERM IN POSITION
EXECUTIVES		
Mr Rick Francis	Managing Director and Chief Executive Officer	Full Year
Mr Gerard Dover	Chief Financial Officer	Full Year
NON-EXECUTIVE DIRECTORS		
Dr Douglas McTaggart	Independent Non-Executive Director and Board Chair Chair of the Nomination Committee Member of the Remuneration Committee	Full Year
Ms Anne Brennan	Independent Non-Executive Director Chair of the Audit, Risk and Compliance Committee Member of the Nomination Committee	Part Year commencing 1 June 2020
Mr Andrew Fay	Independent Non-Executive Director Member of the Audit, Risk and Compliance Committee Member of the Nomination Committee	Full Year
Mr Miles George	Independent Non-Executive Director Member of the Audit, Risk and Compliance Committee Member of the Remuneration Committee Member of the Nomination Committee	Full Year
Mr Greg Martin	Independent Non-Executive Director Chair of the Remuneration Committee Member of the Nomination Committee	Full Year
Ms Karen Penrose	Independent Non-Executive Director Chair of the Audit, Risk and Compliance Committee	Part Year ceasing 27 May 2020

1. SUMMARY OF KMP REMUNERATION ARRANGEMENTS AND DEFINED TERMS CONTINUED

1.2 Defined Terms

DEFINED TERMS USED IN THIS REPORT	
CFO	The Chief Financial Officer.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
Executives	Executives are the direct reports to the MD (not including Executive assistants). The Board has determined that of the Executives, only the MD and CFO are KMPs.
Fixed Remuneration	Fixed Remuneration is the fixed annual remuneration component of Total Remuneration. Fixed Remuneration includes cash, superannuation and any other allowances which are provided to the Executive.
KMP	Key Management Personnel, being those people who have authority and responsibility for planning, directing and controlling the major activities of Spark Infrastructure, directly or indirectly, including any Director (whether Non-Executive or otherwise) of Spark Infrastructure.
KPIs	Key performance indicators set by the Board for the Executives.
LTI	The Long Term Incentive Plan.
MD	The Managing Director and Chief Executive Officer.
NEDs	Non-Executive Directors.
OCF	Net operating cash flow.
RCAB	Regulated and Contracted Asset Base.
Rights	The right to acquire a Security, subject to performance and/or vesting conditions.
Risk Adjusted TSR	Risk adjusted TSR is the return on a Security in excess of what would be expected taking into consideration the relative level of risk in each peer company.
Securities	The securities traded on the ASX under the ticker "SKI" (comprising one unit in Spark Infrastructure Trust stapled to one Loan Note issued by Spark Infrastructure RE Limited (ACN 114 940 984) in its capacity as responsible entity for Spark Infrastructure Trust).
Spark Infrastructure	Spark Infrastructure. In this report, Spark Infrastructure RE Limited is referred to as "Spark RE" or "Company". Spark RE is the responsible entity of Spark Infrastructure Trust, referred to as "Trust". The Trust and its consolidated entities are referred to as "Spark Infrastructure" or "Group".
STI	The Short Term Incentive Plan.
Total Remuneration	Total Remuneration comprises Fixed Remuneration plus STI and LTI.
TSR	Total Securityholder Return is the total return from a security to an investor. It combines security price appreciation or diminution plus distributions reinvested to show the total return to an investor.

2. REMUNERATION AT A GLANCE

The table below summarises the key aspects of the Group's Remuneration Framework.

SPARK INFRASTRUCTURE APPROACH	FURTHER INFORMATION

KEY CHANGES TO REMUNERATION IN 2020

Section 5.4

During 2019, the Board undertook a review of the STI. The review considered alignment with the Group strategy, feedback from investors, and current and emerging market practice. As a result of the review, the following changes were made to the STI in 2020:

1. STI Performance Gateway metric changed to look-through EBITDA

Prior to 2020, Spark Infrastructure needed to achieve the Group's distribution guidance in order for the financial component of the STI to be awarded. Given changes to our approach of issuing distribution guidance for the following financial year, the Board decided to revise the Performance Gateway metric to look-through EBITDA. This metric was selected as it provides a reliable and consistent view of Group performance, provides a good approximation of cash flow, and is more consistent with the Group's focus on yield and growth.

2. Introduction of a values/behaviour modifier for the non-financial component of the STI

A formal behavioural "modifier" has been introduced to the non-financial component of the STI. Once the non-financial component of the STI has been measured and assessed, the Board has the discretion to adjust an Executive's non-financial STI outcome either upwards or downwards (including to zero) based on an assessment of their individual behaviours against Spark Infrastructure's values.

3. Revised financial performance measures for STI

The Group has also adopted revised financial performance measures for the STI, factoring in the new look-through EBITDA Performance Gateway as well as feedback received from Securityholders. Key changes to FY2020 performance measures are:

- Introduction of an RCAB annual growth metric reflecting the increased opportunity for growth in the immediate future;
- Introduction of the performance assessment of Bomen Solar Farm against budget. This includes assessing capex of the original build as well as ongoing earnings before tax; and
- TransGrid Unregulated Revenue Growth has been removed as a financial measure for the STI. The above new measures replaced TransGrid Unregulated Revenue Growth with this measure now captured in the asset growth financial measure for the STI.

LINK BETWEEN SPARK INFRASTRUCTURE'S 2020 PERFORMANCE AND EXECUTIVE REMUNERATION OUTCOMES

Sections 7 and 8

When reviewing FY2020 remuneration outcomes against organisational performance the Board took into account the impact of the COVID-19 pandemic, as well as reviewing the guidelines released by the Australian Securities and Investments Commission (ASIC) on executive variable pay for FY2020. With limited direct effect of COVID-19 on Spark Infrastructure's business the Board determined exercising upward or downward discretion on incentive outcomes was not required.

An Executive's STI award is assessed against financial metrics (subject to the Performance Gateway being met) including total distributions from asset companies, total Asset Company EBITDA, RCAB annual growth, Bomen Solar Farm – EBITDA and capex, Spark Infrastructure's controllable costs, and a combination of business performance and organisational performance non-financial metrics, taking into consideration whether it is appropriate to apply the values/behaviour modifier with respect to the non-financial metrics.

During the year 2020

- The look-through EBITDA Performance Gateway was met and 77.9% of the maximum for the financial component of the STI was achieved (representing 60% of the total opportunity for the MD); 80.0% of the maximum for the non-financial component of the STI for the MD was achieved (representing 40% of the MD's total opportunity). There was no adjustment in relation to the values/behaviour modifier.
- Accordingly, an STI of $705,983 was earned by the MD, representing 78.7% of the maximum STI opportunity. Half of this proportion is to be paid in cash, and the remaining 50% deferred into Rights over 12 and 24 months (25% of the award each).

2020 EXECUTIVE REMUNERATION MIX

Section 5.1

Executive remuneration comprises fixed remuneration and variable (i.e. 'at-risk') remuneration, which includes STI and LTI. The maximum proportion of fixed and variable remuneration for each Executive is outlined below.

Executive	Fixed remuneration	Variable remuneration
MD	38%	62%
CFO	43%	57%

FIXED REMUNERATION

Section 5.3

Fixed remuneration is determined by the Board taking into consideration Spark Infrastructure's market comparator group, composed of ASX-listed entities of a similar size and operational scope.

There was a 2% increase to the MD's fixed remuneration on 1 January 2020.

2. REMUNERATION AT A GLANCE CONTINUED

SPARK INFRASTRUCTURE APPROACH	FURTHER INFORMATION
SHORT TERM INCENTIVE PLAN (STI)	
Maximum STI opportunities in 2020 expressed as a percentage of Fixed Remuneration were as follows: MD: 100% CFO: 80%	Section 5.4
In the normal course, 50% of any STI earned is paid in cash following the end of the STI performance period. The remaining 50% of STI is deferred into Rights to strengthen the alignment of Executives to the delivery of value to our Securityholders. The Rights vest as follows, subject to continued service through to the end of the relevant vesting period: • **Half vests 12 months** after the end of the STI performance period; and • **Half vests 24 months** after the end of the STI performance period. STI performance measures include both financial and non-financial KPIs. Achievement of these KPIs can be influenced by Executives in exercising oversight of Spark Infrastructure's investments and driving performance through efficiency, regulatory outcomes and growth in the unregulated businesses. The relative weighting between financial and non-financial KPIs may differ among Executives depending on their relative influence in each area of focus. For the MD and CFO financial KPIs comprise 60% of their total STI with 40% attributable to non-financial KPIs. In order for the financial component of the STI to be awarded, a Performance Gateway applies such that Spark Infrastructure must achieve its look-through EBITDA for the relevant year. The Performance Gateway does not apply to the non-financial KPI component of the STI. A formal behavioural, values-based modifier applies to the non-financial component for the STI such that the Board has the discretion to adjust an Executive's non-financial STI outcome based on an assessment of their individual behaviours against Spark Infrastructure's values. The values/behaviour modifier does not apply to the financial component of the STI.	
LONG TERM INCENTIVE PLAN (LTI)	
Maximum LTI opportunities in 2020 expressed as a percentage of Fixed Remuneration were as follows: MD: 65% CFO: 50%	Section 5.5
LTI awards are granted in the form of Rights to acquire Securities, subject to achievement of performance measures over the performance and vesting period. Executives ordinarily receive one Security for each Right that vests, together with a distribution equivalent payment for each Security allocated on vesting (equal to the distributions the Executive would have been entitled to receive had they held the Securities during the vesting period). The Board believes a mix of external (i.e. risk adjusted TSR) and internal (i.e. standalone and look-through OCF) measures for the LTI provides the right focus for Executives on delivering long-term Securityholder value. All grants are assessed against the following performance measures: • **Tranche 1 (50% of LTI award):** Spark Infrastructure's risk adjusted TSR (assessed against the constituent entities in the S&P/ASX 200 index) measured over a four-year period; • **Tranche 2 (25% of LTI award):** Standalone OCF measured over a three-year period, plus require a further one-year service period; and • **Tranche 3 (25% of LTI award):** Look-through OCF measured over a three-year period, plus a further one-year service period. Vesting occurs at the end of four years, to the extent the relevant performance and service conditions are met. Approval for the issue of Performance Rights to the MD was obtained under ASX Listing Rule 10.14.	
NON-EXECUTIVE DIRECTOR (NED) FEES	
With the exception of the Board Chair, NEDs receive a base fee and additional fees for chairing or participating in Board committees. The Board Chair's fee is inclusive of committee membership. From 1 January 2020, the Board determined a 2% increase for Board fees while Committee fees remained unchanged.	Section 9
MINIMUM SECURITYHOLDING REQUIREMENT	
NEDs and Executives are required to hold a minimum number of Securities equivalent to: • MD: 100% of Fixed Remuneration; • CFO: 50% of Fixed Remuneration; and • NEDs: Equivalent of one year's Director base fees. Securities for this purpose includes Securities and Rights (earned but not yet vested) under the Deferred STI Plan but not unvested Rights delivered under the LTI Plan which are subject to performance and service conditions. NEDs and Executives are required to meet the minimum Securityholding requirement within a three-year period from appointment. The MD, CFO and all NEDs meet the minimum Securityholder requirement.	Sections 8.4 and 10.6

3. REMUNERATION GOVERNANCE

The Board, RemCo, external advisors and management work together to apply our remuneration principles and ensure our remuneration strategy supports sustainable Securityholder value, while always maintaining high standards of corporate governance.

The RemCo works closely with the Board and the Audit, Risk and Compliance Committee (ARC) to ensure executive remuneration outcomes and that outcomes are achieved in a manner that demonstrates our values and behaviours.

The ARC:

- Advises the RemCo of material risk issues, behaviours and compliance breaches which may impact remuneration outcomes;
- Reviews the measurement/calculation of financial incentive plan performance measures;
- Advises whether any one-off adjustments to financial incentive plan measures and targets are appropriate; and
- Reviews the annual Remuneration Report to ensure compliance with accounting standards and relevant legislation.

The diagram below represents Spark Infrastructure's remuneration decision-making framework.

BOARD

Overall accountability for Executive and NED remuneration.

AUDIT RISK AND COMPLIANCE COMMITTEE

Advises of material risk issues, behaviours and compliance breaches which may impact remuneration outcomes

Reviews the measurement and calculation of financial incentive plan performance measures

Advises whether any one-off adjustments to financial incentive plan measures and targets are appropriate

Reviews the annual Remuneration Report to ensure compliance with accounting standards and relevant legislation

REMUNERATION COMMITTEE

EXECUTIVE REMUNERATION

Review and recommend to the Board changes to remuneration of Executives.

Review and recommend to the Board STI and LTI performance targets, and STI and LTI payments to Executives.

NED REMUNERATION

Review and recommend to the Board the remuneration arrangements for the Chairman and the NEDs.

EXECUTIVE REMUNERATION PRINCIPLES

Align with Securityholders: tie a significant proportion of total remuneration packages to Security price performance and Securityholder outcomes.

Sound measurement: establish triggers for the award of at-risk pay of a suitably long timeframe, to enable appropriate measurement of success and alignment with the interests of investors.

Accountability: Create performance targets that are within the control or operational influence of management, taking into consideration the minority ownership interests comprising core portfolio assets.

Prudent growth: not incentivise growth for growth's sake.

Transparency: ensure that structures and measures are transparent and coherent and easily understood by investors.

The composition of the RemCo is set out on page 59. Further information on the RemCo's role, responsibilities and membership is available at www.sparkinfrastructure.com/about/corporate-governance/governance-documents.

3.1 Use of Remuneration Advisors

The RemCo appointed Ernst & Young (EY) as its external remuneration advisor during 2020. The RemCo has established protocols to ensure that advice provided by advisors is free from undue influence from the members of the KMP to whom the advice relates. During 2020 EY provided the RemCo with general remuneration advice and market practice information.

No remuneration recommendations were provided by EY or any other advisor during the year.

4. REMUNERATION PHILOSOPHY AND LINK TO BUSINESS STRATEGY

At Spark Infrastructure our Executive remuneration is linked to the drivers of our business strategy with the overarching aim of maximising Securityholder value. STI and LTI performance measures reflect our strategic drivers so that Spark Infrastructure's actual performance directly affects what Executives earn.

STRATEGIC DRIVERS

Executive remuneration is linked to Strategic Outcomes. Our objective is to manage our portfolio of businesses for performance and to achieve organic growth through efficient investment. This is supported by our Value Enhance, Value Build and Value Acquire strategy. Our Strategy is executed in accordance with our Values and produces Outcomes aligned to our purpose and vision.

VALUES

Safety first – Acting with integrity – Thinking innovatively – Working as a team

Securityholders	Customers and community	Our people, health and safety	Innovation and technology	Environment
Delivering long-term sustainable value through yield plus growth	Delivering safe, reliable and affordable energy services through well managed operations and efficient investment	Providing safe and rewarding workplaces for our people	Delivering a sustainable energy future capturing opportunities from innovation and technology	Protecting the environment in which we operate, and investing in the transition to a low carbon emission future

Spark Infrastructure's actual performance and Securityholder outcomes

STI financial KPIs – 60%

STI non-financial KPIs – 40%

LTI external and internal performance measures

SHORT TERM INCENTIVES

- 1-year performance period
- 50% in cash and 50% in Rights
  - 50% of Rights vest after 1 year
  - 50% of Rights vest after 2 years

Performance Gateway Look-through EBITDA	
17%	Total distributions from asset companies
22%	Total Asset Company EBITDA
10%	RCAB annual growth
6%	Bomen Solar Farm – EBITDA and capex
5%	Spark Infrastructure controllable costs

Values/Behaviour Modifier
Business Performance
Organisational Performance

LONG TERM INCENTIVES

- 4-year vesting period
- 100% in Rights
  - 50% of Rights subject to 4-year performance period
  - 50% of Rights subject to 3-year performance period plus 1-year service period

Look-through OCF (25%)	Standalone OCF (25%)	Risk-adjusted TSR (50%)
3-year performance period followed by 1-year service period	3-year performance period followed by 1-year service period	4-year performance period

Variable remuneration outcomes for Executives

5. REMUNERATION STRUCTURE

5.1 Remuneration Mix

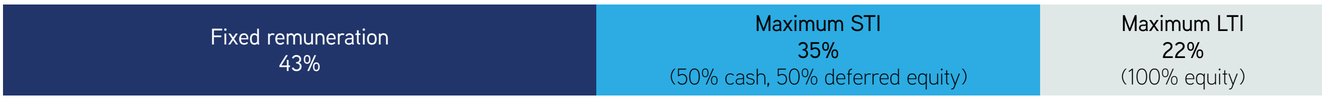
Executives' remuneration and mix of remuneration are appropriate to each Executive's position, responsibilities and performance, in a way that aligns with our business strategy.

Executives receive Fixed Remuneration and variable 'at-risk' remuneration consisting of short and long-term incentive opportunities. Executive remuneration is reviewed annually by the RemCo with reference to the market and Spark Infrastructure's business operations.

Spark Infrastructure's remuneration policy has a strong performance focus, with a large proportion of Executives' remuneration contingent on maximising Securityholder value. The charts below set out the remuneration structure and maximum remuneration mix for the MD and CFO in 2020. Refer to section 5.4 and section 5.5 for detail on the structure of the STI and LTI.

MD

CFO



5.2 Potential Maximum At-Risk Remuneration for Executives in 2020

Presented below are the maximum STI and LTI opportunities for 2020 expressed as a percentage of Fixed Remuneration. The opportunities are determined with reference to market norms and the Executive's relative influence on Spark Infrastructure's performance. The minimum STI and LTI opportunities are nil.

POSITION	MAXIMUM STI OPPORTUNITY % OF FIXED REMUNERATION	MAXIMUM LTI OPPORTUNITY % OF FIXED REMUNERATION
MD	100%	65%
CFO	80%	50%

5.3 The MD's Remuneration Package for 2020

Details of the MD's 2020 remuneration package are set out in the table below.

	FIXED 2020 (INCL. SUPERANNUATION) $	2020 STI MAXIMUM OPPORTUNITY $	2020 STI MAXIMUM OPPORTUNITY $	2020 LTI MAXIMUM OPPORTUNITY $	2020 LTI MAXIMUM OPPORTUNITY $	TOTAL REMUNERATION MAXIMUM OPPORTUNITY $
Rick Francis	896,600	100%	896,600	65%	582,790	2,375,990

The Board has determined there will be no increase or change in the MD's remuneration package for 2021.

5. REMUNERATION STRUCTURE CONTINUED

5.4 Short Term Incentives

The following table sets out the key features of Spark Infrastructure's STI arrangements.

Purpose	The STI plan is operated to: • Focus Executives, through challenging performance measures, on the achievement of results in areas that are expected to impact the performance of Spark Infrastructure in the short term; • Create sustained annual performance over a longer term period through STI deferral; • Assist in the attraction, reward and retention of high quality employees; • Constrain the potential for unacceptable risk taking; • Ensure that a significant portion of remuneration is "at risk" with a mix of financial and non-financial performance measures; and • Strengthen the link between Executive remuneration and long-term Securityholder returns through STI deferral.
Performance Gateway	In order for the financial component of the STI to be awarded, Spark Infrastructure must achieve its look-through EBITDA threshold for the year. The Performance Gateway was changed from a distribution metric to a look-through EBITDA metric in 2020. For more information please see Section 2. The Performance Gateway does not apply to the non-financial component of the STI.
Performance measures	An Executive's STI award is assessed based on financial KPIs (subject to the Performance Gateway) and non-financial KPIs over a 12-month performance period. Non-financial KPIs are subject to a separate values/behaviours modifier (see below). Non-Financial KPIs may be weighted differently among participants depending on their relative influence in the area. The weighting of financial and non-financial KPIs for each Executive in 2020 was as follows:

POSITION	FINANCIAL KPIs	NON-FINANCIAL KPIs
MD	60%	40%
CFO	60%	40%

In 2020 Spark Infrastructure Financial KPIs and Non-Financial KPIs were:

Financial KPIs: definition and rationale – representing 60% of potential STI outcome for the MD and CFO

- **Total distributions from asset companies (17%)** – Spark Infrastructure's objective is to deliver sustainable levels of distributions to Securityholders over time, based on distributions received from its investments.
- **Total Asset Company EBITDA (22%)** – Asset Company earnings demonstrate growth and operational excellence and performance of the underlying businesses, which produces distribution sustainability and growth.
- **RCAB annual growth (10%)** – Recognises the importance of efficient investment in the growth of the asset bases of the businesses.
- **Bomen Solar Farm – EBITDA and capex (6%)** – Rewards efficient construction cost of new renewable generation projects and their ongoing performance post-completion versus budgets and business plans.
- **Total Spark Infrastructure controllable costs (5%)** – Disciplined management of Spark Infrastructure's controllable costs are an area of continual focus to deliver value for Securityholders.

A "threshold", "target" and "stretch" goal is set at the start of the financial year for financial KPIs with the outcome calculated based on the following scale with straight-line vesting between "threshold" and "target" and between "target" and "stretch". Outcomes are reviewed by the RemCo and recommended to the Board for approval.

PERFORMANCE LEVEL	% OF MAXIMUM STI AWARDED BASED ON EACH OF SPARK INFRASTRUCTURE'S FINANCIAL KPIs
Below threshold	0%
Threshold	50%
Target	70%
Stretch target	100%

	Non-financial KPIs: definition and rationale – representing 40% of potential STI outcome for the MD and CFO	
	GROUP BUSINESS PERFORMANCE – totalling 50% weighting	
	Group Strategy/Projects – Measures focused on assessment and delivery of key opportunities and projects, building portfolio of Value Build opportunities and internal valuations and assessment	30%
	Operations – Measures focused on operational efficiency, safety and reliability of investment portfolio businesses (Value Enhance): outperformance by core businesses, growth in RCAB, completion of Bomen Solar Farm, consolidating value of TransGrid, positive tax appeal outcome, capital management strategy	15%
	Optimising regulatory outcomes – strong regulatory advocacy with positive outcomes	5%
	CORPORATE ORGANISATIONAL PERFORMANCE – totalling 50% weighting	
	Corporate Strategy – Measures focused on progressing corporate strategic vision and plan (Value Build and Value Acquire) and resetting strategic narrative for new five-year regulatory periods, growth and tax-paying from 2020/21	10%
	People and process improvement – Measures focused on high performance culture, robust risk management, enhancing our people capability	10%
	Stakeholder management – Measures focused on step up in investor relations and messaging, engagement with co-securityholders/ investment partners and positive outcomes	15%
	Sustainability – Measures focused on improvement in Environment, Social and Governance (ESG) outcomes	5%
	KPIs are measured using a sliding scale with 'Target' meaning an outcome of at least 70% of weighting was achieved. The maximum achievement for non-financial KPIs is 100% of opportunity. Non-Financial KPIs and targets for Executives (other than the MD) are set and assessed by the MD and are reviewed by the RemCo. The MD's performance is assessed and approved by the Board. The Board's assessment and review is conducted on both a quantitative and qualitative level. The Board believes this method is the most efficient and results in the most accurate outcomes. For a summary of overall 2020 organisational and financial performance, refer to section 7.	
Values/behaviour modifier	For 2020, a formal behavioural, values-based modifier in the assessment of the non-financial KPI's was introduced. Once the achievement of the non-financial STI performance metrics has been assessed the Board has the discretion to adjust the level of each Executive's outcome upwards or downwards (including to zero), based on an assessment of their individual behaviours against Spark Infrastructure's values of safety first, acting with integrity, thinking innovatively and working as a team. In assessing whether the Executive demonstrates such behaviours the Board considers a number of factors of the Executive's performance and conduct, including leadership performance, people management, commitment to diversity and inclusiveness, risk and reputation matters, and decision making that supports and upholds Spark Infrastructure's values. The Board will also take into consideration behaviour consistent with the Code of Conduct including: • Acting with the highest standards of integrity, fairness, due care and diligence in fulfilling our duties; • Making decisions in accordance with the spirit and letter of the law; and • Conducting business honestly and ethically, with best skills and judgement, and for the benefit of Securityholders, employees and other stakeholders and the Group. The modifier does not apply to the financial component of the STI.	
Performance and deferral period	Performance is measured at the end of Spark Infrastructure's financial year. For Executives, 50% of any STI award is paid in cash in March following the year of assessment. The remaining 50% of the STI is delivered in the form of Rights and vests (subject to continuous service) as follows: • Half vests 12 months after the end of the performance period; and • Half vests 24 months after the end of the performance period (deferral periods). Rights are granted at no cost to the Executive. Upon vesting, rights are automatically exercised and no amount is payable by the Executive on exercise. One Security is ordinarily received for every Right that vests. A dividend equivalent payment is also made upon vesting, equal to the distributions the Executive would have been entitled to receive had they held the physical Securities during the deferral period. Under the terms of the Equity Incentive Plan Rules, the Board retains discretion to settle these amounts in cash. Spark Infrastructure uses a face value methodology for allocating Rights to each Executive, being the volume weighted average price (VWAP) of Securities traded in the 30 trading days up to and including 31 December. The relevant VWAP for determination of the grant of Rights attributable to the FY2020 performance year is $2.12.	

5. REMUNERATION STRUCTURE CONTINUED

5.5 Long Term Incentives

The following table sets out the key features of Spark Infrastructure's LTI arrangements.

<table>
<tr><td>Purpose</td><td>The LTI is operated to:
• Align Executive reward with the long-term interests of Spark Infrastructure and its Securityholders, ensuring creation of sustainable Securityholder returns;
• Focus on performance hurdles that measure performance in terms of risk management as well as returns; and
• Ensure that a significant portion of remuneration is "at risk".</td></tr>
<tr><td>Performance measures</td><td>Grants made in 2020 were subject to three independent performance measures:
• Risk Adjusted TSR (50% of LTI award)
• Standalone OCF (25% of LTI award)
• Look-through OCF (25% of LTI award)</td></tr>
<tr><td>Risk adjusted relative TSR</td><td>Risk adjusted TSR is the return on a Security in excess of what would be expected taking into consideration the relative level of risk in each peer company. The relationship between risk and return is well understood; that is, if risk is high, then there is an expectation of higher returns, and vice versa.

Traditional TSR does not consider the riskiness of an investment in a particular company. For example, two companies could have the same securityholder return, but one may be a much riskier investment than the other. While TSR is a common method of assessing long-term performance, in our view, executives who deliver the same level of return at a lower risk should be rewarded accordingly.

We understand investors in Spark Infrastructure generally seek stable returns and lower than average risk. To reflect this, we identified two key factors which influence returns: systemic risk (e.g. economic and political) and non-systemic risk (e.g. management skills and judgement). By adjusting for systemic risk in our calculation of TSR, the variability in adjusted returns is more strongly related to management performance.

Risk adjusted TSR is selected as the LTI measure as it provides Spark Infrastructure with a measure of how we are performing in comparison to the market. Where an absolute TSR measure is used, Executives could be rewarded by a rising market even if Spark Infrastructure performs relatively poorly.

Ranking companies by their risk-adjusted return, over a specific period, provides a comparison that more closely reflects how investment decisions are actually made. That is, when making an investment decision, an investor will have a requirement for a company return that is informed by the perceived risk associated with the company.

The Board views the constituents of the S&P/ASX 200 index to be the most appropriate comparator group as this group should represent the competing investment preferences of our investors.

Calculation of risk adjusted TSR and vesting schedule

The excess return of Spark Infrastructure (above what would be expected taking into consideration the relative level of risk in each peer company's security) is compared to the excess returns of S&P/ASX 200 index companies over the four-year performance period, to determine Spark Infrastructure's percentile ranking.

The degree to which the risk adjusted TSR component of the LTI opportunity (i.e. 50%) vests is determined by reference to the following scale:

<table>
<tr><th>TSR PERCENTILE RANKING</th><th>% OF RISK ADJUSTED TSR COMPNENT OF LTI AWARD THAT VESTS</th></tr>
<tr><td>Below the 51st percentile</td><td>0%</td></tr>
<tr><td>At the 51st percentile</td><td>30%</td></tr>
<tr><td>Between the 51st percentile and the 75th percentile</td><td>Pro-rata vesting between 30% and 100%</td></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
</table>

Testing of the risk adjusted TSR part of the award will occur shortly after the end of the four-year performance period. If any LTI awards do not vest on testing, they will immediately lapse. There is no retesting of LTI awards.

The risk adjusted TSR calculation is undertaken independently of management and is externally reviewed on an annual basis. The Board has disclosed the methodology used to calculate the risk adjusted TSR applicable to assess the LTI on Spark Infrastructure's website at www.sparkinfrastructure.com/about/corporate-governance/governance-documents. This methodology was chosen because it allows for an objectively measurable assessment of Spark Infrastructure's performance.</td></tr>
</table>

Standalone OCF and Look-through OCF	Standalone Operating Cash Flow (OCF) and Look-through OCF were selected as performance measures for the LTI as they: • Can be influenced by Executives by actively managing the cost, performance, capital expenditure and debt strategy of our investments; • Clearly demonstrate the performance of Spark Infrastructure; and • Reflect Spark Infrastructure's ability to influence the investment companies to ensure distributions are received and are available to be paid to Spark Infrastructure investors. The OCF measures increase transparency and reduce any potential for artificial growth in distributions to Securityholders by more clearly linking the operational performance of the investment portfolio to the performance of Spark Infrastructure. The decision to use both look-through and standalone cash flow measures seeks to emphasise this balance. Use of a look-through cash flow measure recognises the importance of protecting Securityholder interests through the appropriate extraction of cash from the investment portfolio. Use of a standalone cash flow measure recognises the application of management's particular skills in the management of minority interests and represents a significant part of the value added by Spark Infrastructure. **Calculation of OCF and vesting schedule** OCF is the cash flow from operating activities of the businesses comprising Spark Infrastructure's investment portfolio. OCF is set each year in accordance with Spark Infrastructure's budget and business plan and reflects the underlying five-year business plans of the investment portfolio businesses. OCF is measured on a standalone and a look-through basis. Standalone OCF is calculated as the distributions from the portfolio businesses, OCF from controlled businesses e.g. Bomen Solar Farm, less corporate expenses and represents the cash flow available for distribution to Securityholders. Look-through OCF includes the proportional net cash flows from business operations of the underlying investment portfolio. This methodology was chosen because it allows for an objectively measurable assessment of Spark Infrastructure's performance. The degree to which the OCF component of the LTI opportunity vests (i.e. 50%) is determined by reference to OCF performance over the three-year performance period and continued service until the end of the four-year vesting period. A three-year performance period was selected as it allows smoothing of outcomes over the testing period in order to reduce volatility between and across regulatory periods. OCF performance is measured by reference to the following scale:

THREE-YEAR AGGREGATED OCF TARGET	% OF OCF COMPONENT OF LTI AWARD THAT VESTS
Below 97.5% of target	0%
Between 97.5% of target and 105% of target	Pro-rata vesting between 25% and 100%

	Testing of the OCF part of the LTI awards will occur shortly after the end of the three-year performance period. To the extent any LTI awards are not eligible for vesting based on performance, they will immediately lapse. The OCF part of the LTI awards that become eligible for vesting (based on performance) will vest subject to continued service over an additional one-year service period. There is no retesting of LTI awards.
LTI grant based on "face value" methodology	Spark Infrastructure uses a face value methodology for allocating Rights to each Executive, being the VWAP of stapled securities traded in the 30 trading days up to and including 31 December. The VWAP for assessment of the 2021 Grant of LTI Awards is $2.12.
Delivery of LTI awards	LTI awards are delivered in the form of Rights, which are granted at no cost to the Executive. Executives ordinarily receive one Security for every Right that vests, together with a distribution equivalent payment for each Security allocated on vesting. This distribution equivalent payment will be equal to the distributions the Executive would have been entitled to receive had they held the Securities during the vesting period. Rights are automatically exercised on vesting and no amount is payable by the Executive on exercise. Under the Terms of the Equity Incentive Plan Rules, the Board retains discretion to settle these amounts in cash.

5. REMUNERATION STRUCTURE CONTINUED

5.6 STI and LTI Common Features: Clawback, Treatment of Awards on Cessation of Employment and Trading Policy

Below are key common features shared between the STI and LTI.

Clawback	Clawback arrangements remain in place for Executives. Unvested and vested but unpaid STI and/or LTI may be forfeited if an Executive: • Has personally acted fraudulently or dishonestly; • Has breached his or her material obligations to Spark Infrastructure; or • Receives remuneration as a result of the fraud, dishonesty or breach of obligation of another person. Spark Infrastructure's clawback policy may be accessed at: www.sparkinfrastructure.com/about/corporate-governance/governance-documents.
Cessation of employment	The treatment of Rights on termination of employment will vary based on assessment by the Board of the circumstances of termination. If an Executive ceases employment with Spark Infrastructure prior to the end of the performance period, vesting period (including additional service period in respect of the OCF component of the LTI award) or deferral period by reason of resignation or termination for cause, all unvested Rights automatically lapse, unless the Board determines otherwise. If an Executive ceases employment for any other reason (including death, redundancy, genuine retirement), a pro-rata portion of their unvested Rights will remain 'on-foot' subject to the original terms until the end of the performance vesting or deferral period (as relevant), unless the Board determines otherwise. The pro-rata portion that remains 'on-foot' will be determined based on the portion of the performance, vesting or deferral period (as relevant) elapsed on the date of their cessation, and the remaining portion will lapse on the date of cessation. Executives who cease employment remain eligible for the cash (i.e. non-deferred into Rights) component of their STI, pro-rated for the part year of their completed service (unless their employment is terminated for cause) in an amount to be determined by the Board by reference to their KPIs for that year. Any payment of the cash component of their STI will remain subject to achievement of the financial and non-financial KPIs as set by the Board. This leaver provision enhances Spark Infrastructure's risk management by: • Encouraging retention; • Allowing discovery of any factors that could contribute to financial restatement that may result in forfeiture of reward; • Allowing for a review of Executive behaviours to ensure they have complied with Spark Infrastructure's ethical and risk management guidelines and standards of business conduct; • Encouraging the establishment and maintenance of a sound management legacy; and • Maintaining Securityholder alignment for a longer period.
Trading Policy	Spark Infrastructure's Securities Trading Policy applies to all KMP. The Policy prohibits KMP from entering into transactions that operate to limit the economic risk of their Spark Infrastructure Securities (e.g. Hedging arrangements) with respect to unvested remuneration entitlements held pursuant to any plan, or Securities that are subject to a holding lock or other restriction on dealing under a plan. The Policy also prohibits employees from dealing in Spark Infrastructure Securities while in possession of Inside Information (as defined in the Policy) being information which is non-public and would be expected to have a material effect on the price or value of Spark Infrastructure's securities. Spark Infrastructure's Trading Policy may be viewed at: www.sparkinfrastructure.com/about/corporate-governance/governance-documents.

6. EMPLOYMENT CONTRACT KEY TERMS

Each Executive, including the MD, has a formal employment agreement. These employment agreements are of a continuing nature and have no fixed term of service. There were no changes to the employment agreements for Executives in 2020.

The key terms of the employment agreements are summarised below:

POSITION	CONTRACT	NOTICE PERIOD (BY EXECUTIVE OR SPARK INFRASTRUCTURE)	TERMINATION PAYMENT – WITHOUT CAUSE
Managing Director	Permanent	6 months	12 months' Fixed Remuneration
Chief Financial Officer	Permanent	3 months	6 months' Fixed Remuneration

7. 2020 ORGANISATIONAL AND FINANCIAL PERFORMANCE

7.1 Spark Infrastructure Financial Performance

The table below shows the reported financial performance of Spark Infrastructure over the last five years. These financial performance outcomes are a key component for achievement of the STI financial metrics each year.

Standalone and look-through operating cash flows are also key components of the LTI Plan weighted at 25% each and measured over a three-year performance period.

	FIVE-YEAR FINANCIAL PERFORMANCE				
	2020	2019	2018	2017	2016
Profit after tax attributable to Securityholders ($'000)	105,003	79,138	92,285[1]	88,641	81,083
Profit before Loan Note Interest and tax expense ($'000)	280,311	258,470	270,516[1]	265,804	225,816
Closing Security price at year end ($)	2.11	2.09	2.21	2.51	2.38[2]
Distribution per Security (cents)	13.50	15.00	16.00	15.25	14.50
Operating costs ($'000) – excluding project costs	14,343	14,075	14,193	12,607	11,352
Underlying standalone Operating Cash Flow (cps)	14.7	16.7	17.3	15.9	18.2
Underlying look-through Operating Cash flow (cps)	18.6	22.5	19.1	21.4	22.1
Net Debt/Regulatory and Contracted Asset Base (RCAB) (%)	72.4	71.9	74.2	74.2	74.7

(1) Excluding asset Impairment in 2018.

(2) The opening security price at the beginning of 2016 was $1.92.

7.2 Impact of Federal Court appeal

Last year, due to the ongoing Full Federal Court tax appeal, the Board deferred assessment of the distribution guidance Performance Gateway for the financial component of the 2019 STI for the MD until the outcome of the appeal was known. Accordingly, the financial component of the 2019 STI for the MD (being $408,208) was not paid and reported as a contingent STI in the 2019 Remuneration Report.

In light of the successful appeal outcome the Board reviewed whether the financial component of the 2019 STI should be paid. To make this decision the Board assessed the distribution guidance Performance Gateway by considering the distribution the Board could have declared with respect to the 2019 financial year with the knowledge that gifted assets were not assessable for income tax purposes. Noting the cumulative refund of tax expected to be received and that standalone cash flows after tax for 2019 (adjusted for the successful appeal outcome) would have been approximately 16.7 cents per security, the Board considered that the distribution guidance Performance Gateway would have been met, and the financial component of the 2019 STI would have been paid.

Accordingly, the Board determined to pay the financial component of the 2019 STI with 50% paid in cash and 50% deferred into Rights in line with the original award timing.

7.3 Impact of COVID-19 on Spark Infrastructure's business

The Group has performed strongly despite the challenges posed by the COVID-19 pandemic. Some of the actions undertaken to support the broader community during the pandemic include the following.

- Support for customers affected by COVID-19 through Energy Networks Australia Network Relief Package announced at the beginning of April 2020.
- The Network Relief Package waives network charges for residential customers of small retailers and small business customers and defers payment of network charges for residential customers of large retailers for the period from 1 April 2020 to 30 June 2020.
- In August, the AEMC made a preferred rule to enable some retailers to defer the payment of network charges for customers subject to payment plans, hardship arrangements or deferred debt arrangements for the period from August 2020 to February 2021 for up to six months.
- Victorian businesses voluntarily extended a modified Network Relief Package consistent with the AEMC rule to 31 January 2021.

8. 2020 REMUNERATION OUTCOMES

The sections below set out the outcomes for our Executives in 2020. When reviewing FY2020 remuneration outcomes against company performance the Board took into account the impact of the COVID-19 pandemic as well as reviewing the guidelines released by the Australian Securities and Investments Commission (ASIC) on executive variable pay for FY2020. Because of the relatively limited effect of COVID-19 on Spark Infrastructure's business the Board determined not to exercise upward or downward discretion on incentive outcomes.

8.1 STI Awards Reflect Spark Infrastructure Performance

Spark Infrastructure's financial performance directly influences the STI received by Executives in a number of ways.

1. Spark Infrastructure's STI has key STI financial performance measures which demonstrate alignment and delivery of Spark Infrastructure's strategy and reflect the performance of Spark Infrastructure and its investment portfolio: total distributions from asset companies, asset company EBITDA, RCAB annual growth, Bomen Solar Farm – EBITDA and capex and total Spark Infrastructure controllable costs.
2. The financial component of the STI plan relies on the Performance Gateway being achieved for that year. For 2020 the Performance Gateway was set at a minimum threshold relative to the 2020 Budget.

Spark Infrastructure delivered a solid financial performance in 2020 with a number of significant achievements against performance measures:

Financial Performance

Performance Gateway

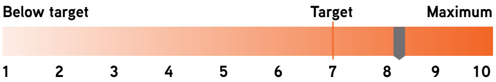
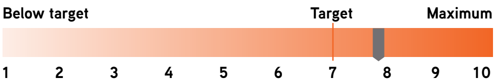
Achievement of look-through EBITDA Performance Gateway is required for payment of the financial component of the STI	Performance Gateway met

2020 Financial Performance Results

FINANCIAL KPI's	LEVEL OF ACHIEVEMENT
Total distributions from asset companies (Total investment portfolio distributions down 3.7% to $301.0 million)	81.5%
Total Asset Company EBITDA financial measures (Aggregated proportional EBITDA increased by 1.6% to $870.3 million)	78.9%
RCAB annual growth (RCAB annual growth of 3.7% to $6,533 million)	73.2%
Bomen Solar Farm – EBITDA and capex (EBITDA of $5.3 million and capex $174.0 million)	78.0%
Total Spark Infrastructure controllable costs	69.6%
TOTAL FINANCIAL KPIs	77.9%

The specific level of achievement is assessed against the budget at the beginning of the year.

2020 Non-Financial Performance Results

KPI measure and target	Weight	Performance and Outcome	Scale
Group Business Performance	50%	Outcome – 41% out of maximum 50%	
Group Strategy/Projects	30%	• Developed renewables opportunity pipeline • Disciplined assessment of Value Acquire projects – non-participation in Wren House sale of TransGrid stake • Internal valuation assessment	
Operations	15%	• Completion of Bomen Solar Farm on time and under budget • RCAB growth to $6.7 billion • Additional distributions from Victoria Power Networks and SA Power Networks • Significant progress on Project EnergyConnect (PEC) • Successful tax appeal on Gifted Assets • Capital management actions	
Regulatory	5%	• Successful change in regulatory inflation method positive impact for Victoria Power Networks • Key influencer in regulatory and energy sector	
Corporate Organisational Performance	50%	Outcome – 39% out of maximum 50%	
Corporate Strategy	20%	• Three-year strategic vision • Strategic growth and yield narrative • Distribution plan and capital management strategy	
People and Process improvement	10%	• Successful operation through COVID-19 focused on health and wellbeing of people • Enhanced renewables capability	
Stakeholder management	15%	• Enhanced IR effort and outcomes – positive feedback from roadshows • Positive engagement with co-securityholders - PEC, SA Power Networks strategic review, capital management plans	
Sustainability	5%	• Established ESG narrative • Improved performance outcomes on ESG metrics	

KPIs are measured using a sliding scale with 'Target' meaning an outcome of at least 70% of weighting was achieved. The maximum achievement for non-financial KPIs is 100% of opportunity.

Outcomes reflect Group performance and are aligned to the MD's achievement for the year.

Values/behavioural modifier

The Board considered the MD's individual behaviour against Spark Infrastructure's values of safety first, acting with integrity, thinking innovatively and working as a team. In assessing whether the MD demonstrated such behaviours, the Board considered the MD's performance and conduct, including leadership performance, people management, commitment to diversity and inclusiveness, risk and reputation matters, and decision making that supports and upholds Spark Infrastructure's values.

Values/Behaviour performance and conduct satisfactory as evidenced by: • **Solid performance and outcomes during COVID-19 with strong leadership across the business** • **Strong culture of teamwork and collaboration, supporting diversity, and good risk management**	Adjustment not required

The Board assessed the performance of the MD with an overall achievement of 80.0% against non-financial KPIs.

The following table shows the actual STI outcomes for each executive for 2020. The STI outcome below reflects a combination of the financial performance achieved and assessment of achievement against personal KPIs producing a blended percentage outcome. For further detail regarding the STI and the weighting of financial and non-financial KPIs for individual Executives, refer to section 5.4.

EXECUTIVE	STI MAXIMUM OPPORTUNITY % OF FIXED REMUNERATION	ACTUAL STI (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)	ACTUAL STI $	ACHIEVEMENT OF FINANCIAL KPIs	ACHIEVEMENT OF PERSONAL KPIs
Rick Francis	100%	78.7%	21.3%	705,983	77.9%	80.0%
Gerard Dover	80%	80.7%	19.3%	371,404	77.9%	85.0%

8. 2020 REMUNERATION OUTCOMES CONTINUED

8.2 LTI Performance Testing at 31 December 2020

The LTI Award granted to KMP at 1 January 2017 (FY2017) had a performance period of four years i.e. ended 31 December 2020. The FY2017 LTI Award had three measures, being:

Tranche 1 (50% of LTI award): Relative performance measured on risk adjusted TSR basis (Jensen's Alpha approach) against all entities in the S&P/ASX 200 index at grant date.	The risk adjusted TSR result for the four-year period ended 31 December 2020 resulted in Spark Infrastructure ranking at the 64.7th percentile against the S&P/ASX 200 index. Accordingly, 70.0% of Tranche 1 of the FY2017 LTI Award vested (and the remaining 30% forfeited) at 31 December 2020. The calculation of risk adjusted TSR and of the relative performance against the S&P/ASX 200 index was produced by an external expert, independent of Management.
Tranche 2 (25% of LTI award): Standalone OCF measured over a three-year period (the test period), plus require a further one-year service period.	Standalone Operating Cash Flow for the three-year period ended 31 December 2019 was $847.1 million, resulting in 71.7% vesting outcome for that performance measure.
Tranche 3 (25% of LTI award): Look-through OCF measured over a three-year period (the test period), plus a further one-year service period.	Look-through Operating Cash Flow for the three-year period ended 31 December 2019 was $1,074.6 million, resulting in 100% vesting outcome for that performance measure.

The vesting schedules for the respective tranches are set out in section 5.5.

The blended vesting outcome for the FY2017 LTI Award was 77.9%. The LTI Award will be settled with Spark Infrastructure Securities acquired on-market in March 2021.

8.3 Actual Remuneration Received by Executive KMP in 2020

The following table shows details of the actual remuneration received by Executives in 2020 and 2019. The amounts in the table differ from the Executive statutory remuneration set out in section 10.1. Actual remuneration received is provided in addition to the statutory reporting of remuneration expense to increase transparency about what the Executives actually received during the year.

		SHORT TERM BENEFITS			POST-EMPLOYMENT	LONG TERM BENEFITS	TOTAL $
EXECUTIVES		BASE SALARY $	STI(1) $	NON-MONETARY $	SUPERANNUATION $	VESTED LTI(2) $	
Rick Francis	2020	871,600	578,408(4)	–	25,000	368,666	**1,843,674**
	2019	854,000	604,212	–	25,000	509,293	**1,992,505**
Gerard Dover	2020	553,652	–	–	21,348	–	**575,000**
	2019(3)	119,323	–	–	5,251	–	**124,574**

(1) The STI received in 2020 represents cash amounts earned in relation to the individual's performance from FY2019 (not deferred) and from amounts previously deferred into Rights from both FY2017 and FY2018 (both under the Deferred STI Plan) that have now vested, including distribution equivalent amounts earned. The STI received in 2019 represents cash amounts earned in relation to the individual's performance from FY2018 (not deferred) and from amounts previously deferred into Rights from FY2016 and FY2017 (both under the Deferred STI Plan) that have now vested, including distribution equivalent amounts earned.

(2) LTI received in 2020 relates to the vested 2016 LTI Tranche and was cash settled. (2019: In relation to vested 2015 LTI Tranche and cash settled).

(3) Gerard Dover commenced as CFO on 8 October 2019 and the period reported on is from that date.

(4) Includes financial component of the deferred 2019 STI determined to be paid by the Board with 50% paid in cash ($204,104) in 2020, and 50% deferred into Rights for 12 months (25%) and 24 months (25%) to vest in future years.

8.4 Executive Minimum Securityholding Policy

The MD is required to hold the equivalent of 100% of Fixed Remuneration in Securities within a three-year period. For the CFO, the requirement is the equivalent of 50% of Fixed Remuneration in Securities within a three-year period.

For these purposes, Securities include Securities and Rights earned but not yet vested (under the Deferred STI Plan).

Both the MD and CFO have met the requirements of the Executive Minimum Securityholding Policy.

For the statutory table of equity instruments held by Executives refer to section 10.5.

9. NON-EXECUTIVE DIRECTOR FEES

9.1 Approach to Non-Executive Director Fees

Remuneration for NEDs is designed to ensure that Spark Infrastructure can attract and retain suitably qualified and experienced Directors. Unlike Executive remuneration, fees for NEDs are not linked to performance. However, all NEDs are expected to hold Securities to reflect alignment with Securityholder interests.

NED fees are reviewed annually utilising external market data or the advice of an independent consulting firm. NED fees take the following matters into consideration:

- The Chair's fee is a single fee inclusive of committee membership duties;
- The Board considers the relative workloads of committees in setting the fees applicable to committee chairs and committee members;
- Members of committees shall be eligible to receive a committee membership fee in addition to the NED base fee; and
- NEDs may be appointed to special purpose committees established from time to time. NEDs who are members of special purpose committees may receive a one-off committee membership fee in addition to their other fees (for regular Board duties) to recognise the significant additional workload. Special purpose committee membership fees are determined by the Board.

9.2 Schedule of Fees

The fees for NEDs during 2020 are set out in the table below.

ROLE	2020 FEE[1] $	2019 FEE $
Board Chair[2]	309,060	303,000
Non-Executive Director Base	132,600	130,000
Audit, Risk and Compliance Committee (ARC) Chair	39,800	39,800
Audit, Risk and Compliance Committee member	19,900	19,900
Remuneration Committee (RemCo) Chair	34,200	34,200
Remuneration Committee member	17,100	17,100

(1) There was a 2% increase for Board fees for 2020 while Committee fees remained unchanged

(2) The Board Chair fee is inclusive of all fees for committee memberships or attendance.

All Non-Executive Directors are members of the Nomination Committee. There are no additional fees for membership of the Nomination Committee.

Except for the payment of statutory superannuation entitlements, NEDs do not receive any other post-employment benefits. The fees above include any statutory superannuation entitlements. The aggregate fee limit for NEDs approved by Securityholders is $2 million per annum and is unchanged from 2015. There will be no change to the aggregate fee limit for 2021.

9.3 Statutory Remuneration of NEDs

The annual fees paid to NEDs (inclusive of statutory superannuation) for 2020 and 2019 were:

		SHORT TERM BENEFITS			TOTAL	POST-EMPLOYMENT
		DIRECTOR FEES $	ARC FEES $	REMCO FEES $	(INCLUSIVE OF SUPERANNUATION) $	SUPERANNUATION CONTRIBUTION[1] $
Current Non-Executive Directors						
Douglas McTaggart	2020	309,060	–	–	**309,060**	15,925
	2019	303,000	–	–	**303,000**	20,767
Anne Brennan[2]	2020	77,350	23,217	–	**100,567**	8,725
	2019	–	–	–	**–**	–
Andrew Fay	2020	132,600	19,900	–	**152,500**	13,231
	2019	130,000	19,900	–	**149,900**	13,005
Miles George[3]	2020	132,600	17,610	15,367	**165,577**	14,365
	2019	28,938	–	–	**28,938**	2,511
Greg Martin	2020	132,600	–	34,200	**166,800**	3,618
	2019	130,000	–	22,359	**152,359**	13,218
Karen Penrose[4]	2020	56,209	16,871	–	**73,080**	7,479
	2019	130,000	39,800	–	**169,800**	14,732
TOTAL	2020	840,419	75,355	51,810	**967,584**	63,342
	2019	721,938	59,700	22,359	**803,997**	64,233

(1) Contributions to personal superannuation on behalf of NEDs are deducted from their overall fee entitlements.

(2) Anne Brennan commenced as a Director on 1 June 2020 and the period reported on is from that date.

(3) Miles George commenced as a Director on 11 October 2019 and the period reported on for 2019 is from that date to 31 December 2019. In 2020, Miles George was appointed to the Remco on 7 February 2020 and to the ARC on 12 February 2020.

(4) Karen Penrose retired as a Director with effect 27 May 2020 and the period reported on is from 1 January 2020 until that date.

9. NON-EXECUTIVE DIRECTOR FEES CONTINUED

9.4 NED Fees from Other Entities

In prior years, where deemed appropriate, Spark Infrastructure had nominated NEDs for appointment as Directors of the boards of investment portfolio companies. In such cases, those NEDs were entitled to receive fees in that capacity from those portfolio companies. Those fees are determined and paid for by the investment portfolio company, not by Spark Infrastructure. Those roles are now fulfilled by independent director appointments who are not NEDs. The following Spark Infrastructure NEDs were Directors on boards and committees of investment portfolio companies during 2020.

SA Power Networks

SA POWER NETWORKS BOARD AND COMMITTEE MEMBER	TOTAL BOARD AND COMMITTEE FEES RECEIVED FOR 2020 $
Andrew Fay[1]	**36,668**

(1) Andrew Fay retired as a director of SA Power Networks with effect from 30 April 2020. Fees received for 2020 were on a pro-rata basis.

Note that the Spark Infrastructure MD and CFO were both Directors on the Boards of Victoria Power Networks and SA Power Networks in 2020. All board and committee fees received for their services were paid to Spark Infrastructure. No separate board or committee fees are paid by TransGrid. Spark Infrastructure receives a shareholder allowance from TransGrid which covers the costs of Directors.

10. STATUTORY REMUNERATION DISCLOSURES (AUDITED)

10.1 Executive Statutory Remuneration (for the Years Ended 31 December 2020 and 31 December 2019)

The following table shows the statutory remuneration required to be disclosed for Executives in 2020 and 2019. These disclosures are calculated in accordance with Accounting Standards and will therefore differ from the information presented in the 2020 actual remuneration received table in Section 8.3 as the remuneration in the form of equity (Deferred STI and LTI) in this section is based on the amount expensed by the company over the vesting period, rather than the amount delivered or received by the Executive in the relevant year.

		SHORT TERM BENEFITS			POST-EMPLOYMENT	BENEFIT BASED ON SECURITIES		TOTAL	
KMP		CASH SALARY $	STI CASH $	NON-MONETARY BENEFITS $	SUPER-ANNUATION) $	DEFERRED STI - RIGHTS[1] $	LTI[2] $	$	CONTINGENT STI PAYMENT
Rick Francis	2020	871,600	557,095[5]	–	25,000	419,040[5]	273,661	**2,146,396**	–
	2019	854,000	130,092	–	25,000	225,390	410,289	**1,644,771**	408,208[5]
Gerard Dover[4]	2020	553,652	185,702	–	21,348	77,376	58,653	**896,731**	–
	2019	119,323	–	–	5,251	–	–	**124,574**	–
Nicholas Schiffer[3]	2020	–	–	–	–	–	–	**–**	–
	2019	402,790	–	–	13,766	(95,178)	(94,844)	**226,534**	–
TOTAL	2020	1,425,252	742,797	–	46,349	496,415	332,315	**3,043,128**	–
	2019	1,376,113	130,092	–	44,017	130,212	315,445	**1,995,879**	408,208

(1) Represents the fair value of the component of the STI that is deferred in Rights – refer note 10.2.

(2) Represents the fair value of the LTI recognised in the year – refer note 10.3.

(3) Nicholas Schiffer resigned and ceased to be CFO on 30 August 2019. The period reported on is from 1 January 2019 until 30 August 2019. Upon leaving, all of Mr Schiffer's outstanding Rights under the Deferred STI Plan and LTI Plan lapsed. A one-off ex-gratia cash payment of $100,000 was made to Mr Schiffer in March 2020 representing his service and contribution during 2019.

(4) Gerard Dover commenced as CFO on 8 October 2019 and the period reported on is from that date.

(5) In 2019, due to the ongoing Full Federal Court tax appeal, the Board deferred assessment of the distribution guidance Performance Gateway for the financial component of the 2019 STI until the outcome of the appeal was known. Accordingly, the financial component of the 2019 STI for the MD (being $408,208) was not paid and reported as a contingent STI in the 2019 Remuneration Report.

In 2020, in light of the successful appeal outcome, the Board has now determined that the contingent STI be paid. Accordingly, 50% ($204,104) was paid in cash and is reported in STI cash for 2020. The remaining 50% ($204,104) has been deferred into Deferred STI rights in 2020.

10.2 Deferred STI at 31 December 2020

Shown below are the number of outstanding Rights received under the Deferred STI arrangements for 2018, 2019 and 2020, the year in which the Rights may vest, and the expense recognised.

The minimum value of the grant is nil if the vesting conditions are not met. The maximum value is based on the estimated fair value calculated at the time of the grant, amortised in accordance with the accounting standard requirements.

The deferred STI awards that vested as at 31 December 2020 will be settled with Spark Infrastructure Securities acquired on-market in March 2021.

KMP	GRANT DATE	FINANCIAL YEAR DEFERRED STI RELATES TO	RIGHTS GRANTED NO.	OPENING VWAP AT GRANT DATE $	FAIR VALUE $	DEFERRED STI EXPENSE IN 2020 $	VESTING DATE
Rick Francis	1 January 2019	2018	61,906	2.31	143,003	47,668	31 December 2020
	1 January 2020	2019	78,820	2.12	167,098	134,575	31 December 2020
	1 January 2020	2019	78,820	2.12	167,098	89,717	31 December 2021
	1 January 2021	2020	83,253	2.12	176,496	88,248	31 December 2021
	1 January 2021	2020	83,253	2.12	176,496	58,832	31 December 2022
TOTAL			**386,052**		**830,191**	**419,040**	
Gerard Dover	1 January 2021	2020	43,798	2.12	92,851	46,426	31 December 2021
	1 January 2021	2020	43,798	2.12	92,851	30,950	31 December 2022
TOTAL			**87,596**		**185,702**	**77,376**	
TOTAL			**473,648**		**1,015,893**	**496,416**	

10. STATUTORY REMUNERATION DISCLOSURES (AUDITED) CONTINUED

10.3 LTI at 31 December 2020

The table below shows details for the grants made under the LTI plan which are yet to vest, including the number of instruments granted, the years in which they may vest, and the fair value recognised.

Accounting standards require the estimated valuation of the grants recognised over the performance period. The minimum value of the grant is nil if the vesting conditions are not met. The maximum value is based on the estimated fair value calculated at the time of the grant, amortised in accordance with the accounting standard requirements. Refer to prior year Remuneration Reports and section 5.5 for detail regarding LTI, including the relevant performance measures and other vesting conditions.

A liability is measured at the fair value of the Rights at the grant date. The fair value determined at the grant date is expensed on a straight-line basis in the profit or loss over the vesting period, there is no subsequent re-measurement of fair value until the date of settlement for the TSR measure (Tranche 1). For the Standalone OCF (Tranche 2) and Look-through OCF (Tranche 3) measures the fair value is re-measured after the three-year period has lapsed based on the expected vesting outcome.

KMP	GRANT DATE	TRANCHE	NUMBER OF RIGHTS GRANTED NO.	FAIR VALUE AT GRANT DATE $/CPS	FAIR VALUE AT GRANT DATE $	REVISED FAIR VALUE	LTI EXPENSE IN 2020 $	VESTING DATE
Rick Francis	1 January 2017(1)	Tranche 1	117,489	1.82	213,830	213,830	53,457	31 December 2020
		Tranche 2 and Tranche 3	117,489	2.39	280,799	241,206	30,607	31 December 2020
	1 January 2018(1)	Tranche 1	103,769	1.43	148,390	148,390	37,097	31 December 2021
		Tranche 2 and Tranche 3	103,769	2.51	260,460	72,929	(75,533)	31 December 2021
	1 January 2019(1)	Tranche 1	123,669	1.32	163,243	163,243	40,811	31 December 2022
		Tranche 2 and Tranche 3	123,669	2.21	273,308	273,308	68,327	31 December 2022
	1 January 2020(1)	Tranche 1	137,451	1.37	188,308	188,308	47,077	31 December 2023
		Tranche 2 and Tranche 3	137,451	2.09	287,273	287,273	71,818	31 December 2023
TOTAL			**964,756**		**1,815,611**	**1,588,487**	**273,661**	
Gerard Dover	1 January 2020(1)	Tranche 1	67,807	1.37	92,896	92,896	23,224	31 December 2023
	1 January 2020(1)	Tranche 2 and Tranche 3	67,807	2.09	141,717	141,717	35,429	31 December 2023
TOTAL			**135,614**		**234,613**	**234,613**	**58,653**	
TOTAL			**1,100,370**				**332,314**	

(1) The LTI awards from 2017 and onwards are subject to the following performance measures:

- **Tranche 1 (50% of LTI award):** Spark Infrastructure's risk adjusted TSR (assessed against the constituent entities in the S&P/ASX 200 index) measured over a four-year period;
- **Tranche 2 (25% of LTI award):** Standalone OCF measured over a three-year period (the test period), plus require a further one-year service period; and
- **Tranche 3 (25% of LTI award):** Look-through OCF measured over a three-year period (the test period), plus a further one-year service period.

10.4 Movements in Rights during 2020

The movement in the number of Rights in relation to Deferred STI and LTI held by Executives during the year is set out below:

	OPENING BALANCE 1 JANUARY 2020 NO.	GRANTED AS REMUNERATION NO.	VALUE OF RIGHTS GRANTED[1] $	VESTED NO.	VALUE OF RIGHTS VESTED/ EXERCISED $	LAPSED[2] NO.	NET OTHER MOVEMENTS NO.	CLOSING BALANCE 31 DECEMBER 2020 NO.
Rick Francis	813,123	537,682	724,649	323,892	686,225	51,813	–	975,100
Gerard Dover	–	223,208	311,988	–	–	–	–	223,208

(1) The fair value of LTI Rights granted to Executives on 1 January 2020 is set out in table 10.3 and the fair value of STI Rights is set out in table 10.2.

(2) Rights that lapsed were as a result of the assessment of the testing of the FY2017 LTI Award. See section 8.2 for further details.

10.5 Equity Instrument Disclosures Relating to Executives

The table below details the Spark Infrastructure stapled securities in which Executives held relevant interests during 2020:

	OPENING BALANCE 1 JANUARY 2020 NO.	NET MOVEMENT ACQUIRED/ (DISPOSED) NO.	CLOSING BALANCE 31 DECEMBER 2020 REMUNERATION NO.
Rick Francis	460,689	222,478[1]	683,167
Gerard Dover	121,251	–	121,251

(1) Securities acquired relate to Rights which vested on 31 December 2019 and via participation in the DRP during the year.

The calculation of Securities under the Executive Minimum Securityholding Policy includes interests in vested and unvested Rights under the Deferred STI Plan.

10.6 Equity Instrument Disclosures Relating to Non-Executive Directors

The relevant interest of each NED for 2020 is as follows:

	OPENING BALANCE 1 JANUARY 2020 NO.	NET MOVEMENT ACQUIRED/ (DISPOSED) NO.	CLOSING BALANCE 31 DECEMBER 2020 REMUNERATION NO.
Douglas McTaggart	186,345	70,325	256,670
Anne Brennan	–	50,000	50,000
Andrew Fay	238,590	–	238,590
Miles George	100,000	100,000	200,000
Greg Martin	100,000	–	100,000
Karen Penrose[1]	57,249	–	–

(1) Karen Penrose retired on 27 May 2020.

Spark Infrastructure has a minimum Securityholding policy under which NEDs must hold the equivalent of one year's base fees (assessed from the date of appointment to the Board) to be acquired within a period of three years. The Securityholding requirement will apply throughout tenure of directorship. All NEDs have met the requirements of the NED Minimum Securityholding Policy.

STATUTORY DECLARATIONS

Attendance at Directors' Meetings

The following table sets out the number of Directors' meetings held during 2020 and the number of meetings attended by each Director which they were eligible to attend (that is, in the case of Directors, while they were appointed and provided they were not disqualified from attending because of observation of processes to guard against any perceived conflict of interest).

During 2020, 15 Board meetings, five Audit, Risk and Compliance Committee (ARC) meetings, two Remuneration Committee (RemCo) meetings, two Nomination Committee (NomCo) meetings, one Insurance Sub-Committee meeting and two Due Diligence Sub-Committee meetings of the company were held. References to meetings "Held" means the number of meetings a Director was eligible to attend.

	Board of Directors		Audit, Risk and Compliance Committee		Remuneration Committee		Nomination Committee		Insurance Sub-Committee		Due Diligence Sub-Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Dr Douglas McTaggart	15	15	–	–	2	2	2	2	–	–	–	–
Mr Rick Francis	15	15	–	–	–	–	–	–	1	1	–	–
Mr Andrew Fay	15	15	5	5	–	–	2	2	1	1	2	2
Mr Greg Martin	15	15	–	–	2	2	2	2	–	–	2	2
Ms Anne Brennan	6	6	3	3	–	–	2	2	–	–	–	–
Ms Karen Penrose	9	9	2	2	–	–	1	1	–	–	–	–
Mr Miles George	15	15	5	5	2	2	2	2	–	–	2	2

By agreement with the committee chairs, there is a standing invitation for all Directors to attend committee meetings. During 2020, Directors took up these invitations and attended a number of committee meetings.

Indemnification of Officers and Auditors

The Directors and former Directors of Spark RE and the officers of Spark RE are indemnified under Spark RE's constitution against all liabilities to another person that may arise from their position as Directors or officers of Spark RE subject to the limitations imposed by the *Corporations Act 2001*.

During 2020, the Trust paid a premium in respect of a contract of insurance indemnifying the Directors against a liability incurred as a Director to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The entities have not otherwise, during or since the end of 2020, indemnified or agreed to indemnify an officer or auditor of the Trust or of any related body corporate against a liability incurred as an officer or auditor, except to the extent permitted by law.

Non-Audit Services

Details of amounts paid or payable to the external auditor for non-audit services provided during 2020 are outlined in Note 15 to the financial statements.

The Directors are satisfied that the non-audit services provided by the auditor are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are of the opinion that the services as disclosed in Note 15 to the financial statements do not compromise the external auditor's independence, based on advice received from the ARC, for the following reasons:

- Non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and comply with Spark Infrastructure's policy on auditor independence; and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110, Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, which includes reviewing or auditing the auditor's own work, acting in a management or decision-making capacity, acting as an advocate or jointly sharing economic risks and rewards of Spark Infrastructure.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 82.

Environmental Regulations

Spark Infrastructure reports on Environmental Regulations for its associates, subsidiaries and entities within Spark Infrastructure.

Spark Infrastructure, by virtue of its ownership of Bomen Solar Farm, Victoria Power Networks, SA Power Networks and TransGrid are each subject to various environmental regulations. The Directors are not aware of any material breaches of those regulations.

Significant Changes in State of Affairs

Except as otherwise disclosed, there was no significant change in the state of affairs of Spark Infrastructure during 2020.

Information Applicable to Registered Schemes

Spark RE is the responsible entity of the Trust. Spark RE does not hold any stapled securities. The number of stapled securities at the beginning and end of 2020 is disclosed in Note 12 to the financial statements.

Options over Stapled Securities

No options have been granted over the unissued Units of the Trust or stapled securities of Spark Infrastructure.

Events Occurring after Reporting Date

The Directors of Spark Infrastructure are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly affected or may significantly affect the operations or the state of affairs in the period since 31 December 2020 up to the date of this report.

Rounding of Amounts

As permitted by ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:

D McTaggart
Chair

R Francis
Managing Director

Sydney
23 February 2021

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
225 George Street
Sydney, NSW, 2000
Australia

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www.deloitte.com.au

23 February 2021

The Board of Directors
Spark Infrastructure RE Limited
as responsible entity for Spark Infrastructure Trust
Level 29, 225 George Street
SYDNEY NSW 2000

Dear Board Members

Auditor's Independence Declaration to Spark Infrastructure Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Spark Infrastructure RE Limited, as responsible entity for Spark Infrastructure Trust and its controlled entities.

As lead audit partner for the audit of the financial report of Spark Infrastructure Trust for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

H Fortescue
Partner
Chartered Accountants

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act* 2001, including compliance with accounting standards and giving a true and fair view of the financial position as at 31 December 2020 and performance of the Trust and the Consolidated Entity;

(c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act* 2001.

(d) the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act* 2001.

On behalf of the Directors:

D McTaggart
Chair

R Francis
Managing Director

Sydney
23 February 2021