

WHAT SUSTAINABILITY
MEANS TO

SPARK INFRASTRUCTURE



Spark Infrastructure is an owner of essential service infrastructure that plays an important role in the national economy and is relied upon by millions of Australians every day. This unique and critical infrastructure footprint demands an unrelenting focus on every aspect of sustainability.

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OUR APPROACH

Our ownership of critical electricity infrastructure businesses provides the opportunity to ensure sustainable policies are adopted in line with community expectations.



WHAT SUSTAINABILITY MEANS TO SPARK INFRASTRUCTURE

Our approach to sustainability has at its heart, a process to identify and manage all risks which pose a threat to our ability to fulfil our purpose, which is to create long-term, sustainable value for our Securityholders and other stakeholders.

To do this, we have processes and governance frameworks in place to:










- Operate safely, by requiring all of our businesses to place the safety and wellbeing of employees and communities at the heart of all operational considerations;
- Ensure the resilience of our assets against operational and environmental risks;
- Embrace innovation and new opportunities in the electricity distribution system including renewables, distributed generation, storage and multi-directional energy flows;

- Maintain an enduring social licence to operate based on strong and respectful relationships with all stakeholders including government, regulators and the communities which host our assets;
- Maintain a robust and prudent financial management process to deliver our financial objectives and maintain the flexibility and capacity to grow;
- Maintain the efficiency of our investment businesses, thereby enabling us to serve our customers, employees, partners and Securityholders;
- Maintain full regulatory engagement and compliance in an environment of heightened regulatory risk; and
- Enhance the resilience of our businesses to withstand changes in economic conditions and ability to deliver performance excellence.

Spark Infrastructure practises rigorous governance across its portfolio of investment businesses and meets high ethical standards.

Our sustainability and risk governance is delivered by the Board and Board committees overseeing environmental, health and safety, regulatory and financial functions. These committees are responsible for monitoring the performance and effectiveness of our businesses' policies, plans, systems and processes including their responses to climate change.

“
In 2018, Spark Infrastructure again contributed to the Carbon Disclosure Project for the reporting of environmental data.

| | Issues we manage | Responses and opportunities |
|---|--|---|
| Corporate Governance and compliance  | <ul style="list-style-type: none"> › Operating licence requirements › Relevant laws, regulatory requirements and reporting | <ul style="list-style-type: none"> › Rigorous corporate governance structures › Code of conduct › Anti-corruption measures › Robust reporting practices ensuring resolution of incidents › Risk management and assurance program › Procurement practices |
| Customer and the community  | <ul style="list-style-type: none"> › Affordable, reliable energy solutions › Community safety › Community impacts › Reputation and meeting community expectations | <ul style="list-style-type: none"> › Extensive consumer and stakeholder engagement › Strong commitment to public safety, targeted initiatives, training and incident reporting › Community partnership programs |
| Health, safety and wellbeing  | <ul style="list-style-type: none"> › Injury and accidents › Workplace relations › Employee wellbeing | <ul style="list-style-type: none"> › Strong commitment to workplace safety, targeted initiatives, training and incident reporting › Diversity and inclusion |
| Workforce  | <ul style="list-style-type: none"> › People and talent management › Engaged and diverse workforce | <ul style="list-style-type: none"> › Developing workplace capabilities, training, succession planning and appropriate remuneration policies › Employee engagement surveys › Diversity initiatives and strong commitment to equal opportunity workplace |
| Environment  | <ul style="list-style-type: none"> › Bushfires and vegetation management › Environmental damage and pollution | <ul style="list-style-type: none"> › Strong focus on vegetation management processes › Environmental risk reviews › Effective use of technology |
| Regulation  | <ul style="list-style-type: none"> › Regulatory landscape for regulated utility assets › Ad-hoc regulatory reviews › Changes to law › Emerging industry regulation and industry reviews | <ul style="list-style-type: none"> › Ongoing effective engagement ahead of and during regulatory periods › Influencing and advocating through engagement and liaison › Government relations › Industry associations |
| Technology and innovation  | <ul style="list-style-type: none"> › Increased penetration of solar PV and batteries for households › Increased interconnectivity for inter-regional transmission › Increased distributed energy sources › Increased utility-scale renewable energy (wind and solar) › Increased penetration of electric vehicles | <ul style="list-style-type: none"> › Increasingly managing two-way electric flows on low-voltage network › Working closely with AEMO and ENA on how best to integrate DER › SAPN undertaking DSO trials with Simply Energy, Greensync, AGL and Tesla › TransGrid working closely with AEMO on regional interconnectivity and energy zones › VPN battery trials |
| Resilient Assets  | <ul style="list-style-type: none"> › Business interruption › Network reliability, interruptions, loss of supply or sabotage › IT systems › Cyber security › Weather events | <ul style="list-style-type: none"> › Disaster recovery plans › Emergency and crisis training and plans › Insurance for third-party damage for unforeseen events › Engagement with industry/government bodies for best practice |
| Financial management  | <ul style="list-style-type: none"> › Delivering return objectives › Treasury risk management › Sustainable capital structure › Robust project management | <ul style="list-style-type: none"> › Business and tax planning › Sustainable and prudent capital structure › Strong focus on project and contract management capability |

CORPORATE GOVERNANCE

Spark Infrastructure is directly represented and actively participates on the Boards of each of our investment portfolio businesses where we oversee business operations, and review and monitor performance, including the management of environmental, social and governance risks.

GOVERNANCE FRAMEWORK

Spark Infrastructure's corporate governance framework is integral to supporting our strategic vision; creating long-term sustainable value for Securityholders. The Board is responsible for Spark Infrastructure's corporate governance, including its policies and charters.

The Board has established a governance framework of prudent and effective controls that enable risk to be assessed and managed. The Board's responsibilities include monitoring financial performance and prudent capital management, overseeing the activities of Spark Infrastructure and its policies and practices, overseeing the operation of Spark Infrastructure's system of internal controls and risk management, monitoring the performance of the Managing Director, communicating and reporting to Securityholders, setting criteria for nomination as a Director, reviewing Board composition and succession planning, and developing and monitoring diversity objectives.

The Board aims to have a broad and diverse membership, with a view to Directors bringing different perspectives to Board discussions. The Directors bring a broad range of expertise, skills and experience from diverse backgrounds including those relevant to the activities of Spark Infrastructure. The composition of the Board provides an appropriate

balance of skills and experience with the additional rigour and assurance provided by a majority of Independent Directors. Each Director brings skills relevant to the successful conduct of Spark Infrastructure including effective oversight of Spark Infrastructure's portfolio of businesses. These include experience in infrastructure and essential service businesses, financial analysis and reporting skills, knowledge of the energy sector, operational understanding of the investment businesses, experience in corporate activity such as mergers, acquisitions and structuring of transactions, experience in corporate governance and disclosure matters, and experience in financial services and licence obligations.

ETHICS AND POLICIES

Spark Infrastructure is committed to high standards of ethics and conduct on the part of its directors and employees. Our Code of Conduct outlines the responsibilities of our people and includes matters such as people and safety, environment and the community. Spark Infrastructure believes that a diverse Board and management team allow it to be more innovative, flexible and better respond to the needs of Securityholders and all stakeholders. Diversity generally, including gender diversity, is an ongoing focus for Spark Infrastructure and is evident in the representation of women across the organisation.

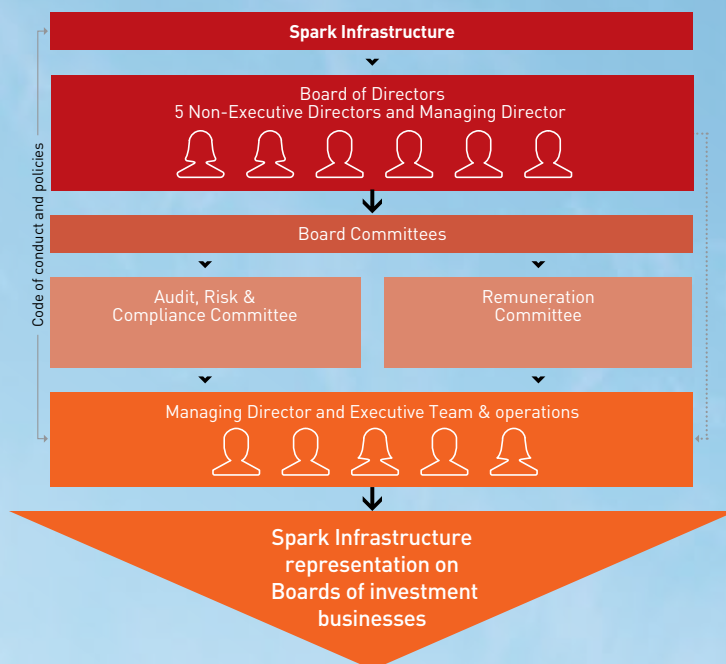
RISK MANAGEMENT

The Board recognises that effective management of risk is essential to good corporate governance. Equally, the Board appreciates that, in order to maximise Securityholder value, maintaining a sensible risk appetite for pursuing investment and business development opportunities is necessary and appropriate. Implementing a risk management framework that balances these concerns is a priority for the Board. Spark Infrastructure's commitment to sustainability is driven by our Board and the Boards of our investment businesses.

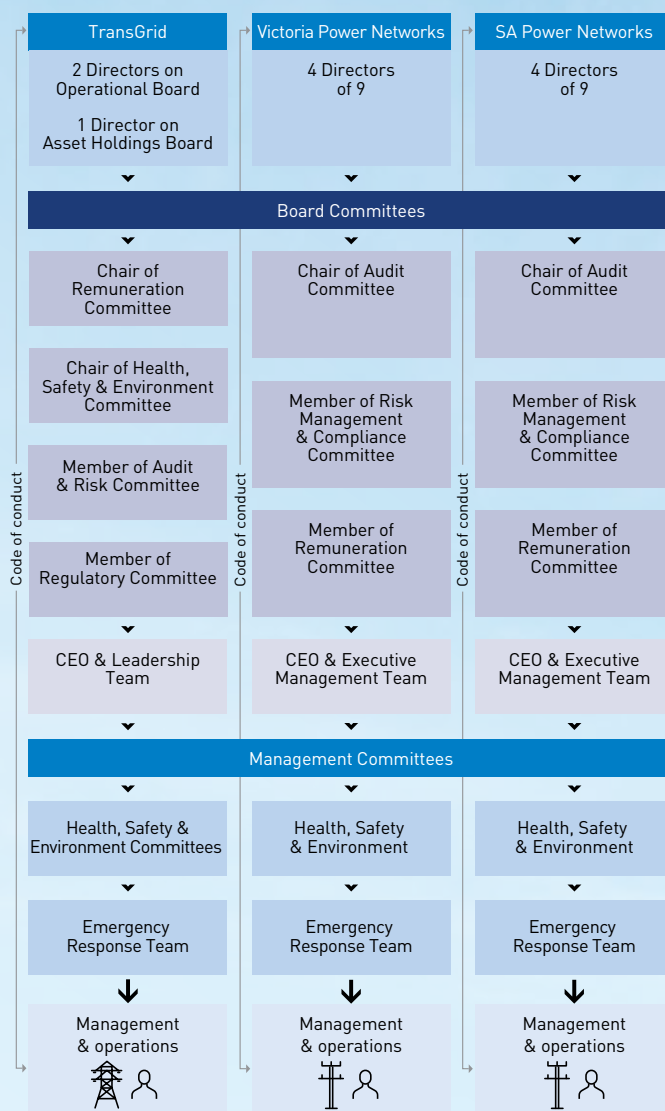
Spark Infrastructure is directly represented and actively participates on the Boards of each of our investment portfolio businesses where we oversee business operations, and review and monitor performance including the management of environmental, social and governance risks. Through Risk Management and Health and Safety & Environment Committees, we provide leadership and support the work of management teams. The Committees review and monitor performance and effectiveness of our businesses' policies, plans, systems and governance structures in relation to health, safety and the environment, including their response to climate change. Our investment businesses actively and diligently manage their material exposure to environmental risks, contributing to environmental sustainability.



HOW WE GOVERN



As an owner of critical service infrastructure businesses, Spark Infrastructure plays an important role in the transformation of the energy sector from being reliant on coal-fired generation to renewable distributed generation over time, and enabling that transformation through efficient investment.



CUSTOMERS

Consumers want reliable, safe and affordable electricity supply. Our businesses employ cost-effective processes, policies and technologies to deliver a more intelligent and responsive network that delivers equitable customer and community outcomes.



FOCUS ON VALUE AND AFFORDABILITY

Being recognised as among the most efficient networks in the country means that benefits can be passed onto our customers and consumers.

Since its privatisation in 1999, SA Power Networks has reduced the distribution charge in residential electricity prices by 9% in real terms.

In the last 10 years, CitiPower and Powercor have reduced the distribution charge in residential electricity prices by 1% and 6% in real terms respectively.

In the first regulatory determination since TransGrid's privatisation, transmission charges have declined in real terms by 5% relative to the previous regulatory period.

CUSTOMER SERVICE AND SATISFACTION

Meeting reliability standards and excellence in customer service is a key focus for our businesses. They regularly engage with and survey customers to gain greater insight into how services can be improved. Digital forms and communication channels are being introduced to improve contact with our customers.

In 2018, CitiPower and Powercor's customer satisfaction score was 85% for the second year in a row and the highest ever back-to-

back result, demonstrating a sustained focus on delivering powerful customer service.

SA Power Networks' combined satisfaction index was 5.63 out of 7, meaning 80% of surveyed customers were satisfied with the service.

TransGrid operates its network to meet the mandated reliability level, and in the year to 30 June 2018 achieved a reliability level of 99.9999%.

In 2017/18, TransGrid achieved an 86% reputation score for its direct customers and a 79% reputation score for all stakeholder segments according to an external audit by Newgate Australia.

TransGrid's goal is to consistently deliver the highest Net Advocacy Score of Australian energy businesses and achieve top-quartile stakeholder engagement scores for infrastructure service businesses.

In addition, the regulatory regime rewards strong reliability and customer service performance. Our businesses routinely outperform reliability targets (measured as annual minutes without supply per customer), and our distribution businesses outperform service target performance and customer telephone service standards, with pleasing results again in 2018. This translates into important financial incentives that will be received in future periods.



9%

real decline in residential network charges since 1999 in South Australia



99.9999%

reliability level for TransGrid



10

deep-dive customer stakeholder workshops held by SA Power Networks



28%

of residential customers have solar power in South Australia



20%

increase in year-on-year enquiries for utility-scale generation in South Australia

Enabling rooftop solar technology by customers in South Australia



With the highest penetration of renewable energy of all the states, SA Power Networks is leading the country in enabling customer choice in electricity generation, and integrating the excess energy generated by its customers back into the electricity grid.

At the end of 2018, the regulated business had over 225,000 customers (around 1 in 4) with solar PV, with over 1,000MW of solar PV approved capacity connected to the SA network.

In addition, enquiries for connecting commercial-scale embedded generation (30kW and above) to the network, continues to grow. In 2018, enquiries grew 20% to 550 with approximately 60% of projects proceeding. The business closely monitors these enquiries and has established defined processes and governance for connections.

CUSTOMER & STAKEHOLDER ENGAGEMENT

Our businesses develop robust customer engagement processes to better understand the expectations and priorities of customers and stakeholders, and ensure that their plans are aligned with customer long-term interests.

In 2017, **Victoria Power Networks** launched its landmark engagement program, Energised 2021-2025 which aims to define and develop the services and benefits customers want from their distributor in 2021-2025 and beyond. The program has four phases, including; understanding what customers value most with their electricity supply; exploring future energy scenarios, including the impact of new technology on the energy grid; taking a deep dive into customers' preferences in building solutions and services that align with an expected energy future; and publishing Draft Proposals for 2021-2025 to confirm customer preferences and to finalise our proposals to the AER.

During 2018, work on the plan has included the following customer engagement opportunities; six network-wide surveys, 30 in-depth interviews with large commercial and industrial customers, conduct of six focus groups and three regional forums with community opinion leaders, and holding of seven deliberative forums with residential and small and medium enterprises, community opinion leaders and key industry stakeholders.

SA Power Networks' Customer Engagement Program for the 2020-2025 regulatory determination began in February 2017. It is a progressive, phased program that provides multiple and diverse opportunities for dialogue and engagement. Over 5,000 participants have been consulted to date with 185 engagement activities and 55 reference group meetings, across 13 locations and with 20 newsletters produced. During 2018, 240 participants were involved in 10 deep dive workshops including representatives from residential and business customers, business groups, the Arborist Reference Group, vulnerable customer advocates, local and state Government, renewable energy advocates and retailers discussing tariffs, service levels, capital expenditure, operating expenses, the future of the network

and information technology. This was undertaken as part of the 2020-2025 Draft Plan and 2020-2025 Regulatory Proposal, lodged with the AER on 31 January 2019.

TransGrid works with a diverse set of stakeholders including energy consumers, directly connected customers, local communities, regulators, state governments and the Federal Government.

TransGrid representatives build strong relationships through frequent engagements with stakeholders and across all fields including operations, technical, planning, projects, and through commercial and community engagement. Through frequent and targeted engagement, TransGrid is able to better understand the expectations and priorities of customers and stakeholders.

For customers, TransGrid:

- Allocates a dedicated customer manager to any customer directly connected to TransGrid's network;
- Provides customer advocacy, understanding and delivery on customer needs;
- Develops open and reliable channels of communication between TransGrid and its customers, so that customer issues are resolved quickly; and
- Builds high levels of trust by supporting customers throughout the changes faced by the energy industry.

In addition, TransGrid's peak customer engagement body is the TransGrid Advisory Council (TAC), which acts as a key stakeholder advisor to TransGrid, offering consumer insights to improve the value of TransGrid's transmission services to NSW and the ACT. The TAC comprises executive level representatives from a cross-section of external stakeholders. The TAC provides advice and consumer views on strategic policy topics and TransGrid's business plans, which ensure that customer and consumer perspectives are consistently included in TransGrid's decision making processes.

COMMUNITY

Our businesses have forged strong connections to the communities we serve. As a significant employer, we have an important role in supporting their social and economic development. Through our community engagement programs and partnerships we aim to build strong, deeper connections within our communities.



COMMUNITY PARTNERSHIPS

As the sole electricity distributor to all major population centres in the state, **SA Power Networks** has a significant role in the community and this is reflected through a diverse sponsorship and community support program.

SA Power Networks supports community organisations and events involved in the arts, environment protection, conservation, and training and development through its support of Adelaide Fringe, Country Arts SA, Operation Flinders, Trees 4 Life and Women in Innovation.

SA Power Networks also encourages an active and healthy community through its support of sporting organisations such as South Australian Little Athletics, Adelaide Bite and Adelaide United Women's Soccer, and its support of health organisation, Asthma Foundation.

As a major employer throughout regional areas, **Victoria Power Networks** has an extensive community partnerships program supporting organisations involved in sport, health, regional communities, diversity and inclusion and energy innovations.

The Powercor Country Festival, in partnership with the Australian Football League's Essendon and Geelong football

clubs, promotes the contribution that regional Australia makes to the social and economic fabric of the country.

Powercor also supports the Western Bulldogs' Community Foundation and Next Generation Academy. The program provides employees the opportunity to volunteer as mentors to young business leaders, become 'Adapters' supporting newly arrived immigrants and refugees, or help expand mental health programs in Melbourne's fast growing western corridor.

Other initiatives include inviting the public and young female science and maths students to sites through the Melbourne Design Week Open State events. Powercor also supports the Newstead local community with a trial of a new residential tariff in their goal of 100% renewable energy by 2021.

CitiPower and Powercor employees also make regular donations to selected charities, raising more than \$61,100 to charities through the Workplace Giving Program.

TransGrid's Community Partnerships Program supports local communities by providing funding for initiatives that deliver lasting benefits in areas where it has infrastructure or is undertaking network upgrades. This forms part of TransGrid's continuing commitment

to building positive relationships with its stakeholders. The program has provided support to community initiatives including the Mulgoa Valley Land Care Group and sponsor of the 2018 Regional Achievement & Community Leadership Awards for regional and rural NSW and ACT. In addition, TransGrid supported the local Yass community to preserve Aboriginal culture and history through an interpretative display by Yass Valley Council, featuring three Aboriginal Scarred Trees at Oak Hill Aboriginal Place in Yass.

TransGrid has also worked with numerous schools providing funding for STEM focused resources, supporting academic achievements through the sponsorship of prizes and helping students lead active, healthy lives through the National Heart Foundation Jump Rope for Heart skipping program.



SA Power Networks' Employee Foundation



SA Power Networks supports employee participation in the community through the Employee Foundation. They raise funds for and contribute volunteering time to a number of key charities including Cancer Council SA, Mary Potter Hospice and Hutt Street Centre. In 2018, the Foundation reached a milestone of distributing \$2 million to charity since its creation.

Additionally, staff are actively encouraged to volunteer or fundraise for causes they are passionate about. Fundraising up to \$5,000 is dollar matched by the Foundation and continues to make a significant difference to a wide variety of charities across the state.



\$3.1M

investment in community programs in 2018 by our businesses



\$400,000+

raised by employees of our businesses through workplace giving

COMMUNITY INITIATIVES & PARTNERSHIPS

SA Power Networks – Adelaide Fringe, Country Arts SA, Operation Flinders, Trees 4 Life, Women in Innovation, South Australian Little Athletics, Adelaide Bite and Adelaide United Women's Soccer, Asthma Foundation

Victoria Power Networks – Cricket Victoria's CitiPower Centre, Powercor Melbourne to Warrnambool Cycling Classic, Powercor Country Festival, Western Bulldogs' Community Foundation, Next Generation Academy, Melbourne Design Week Open State events, Renewable Newstead

TransGrid – Mulgoa Valley Land Care Group, 2018 Regional Achievement & Community Awards, Yass Valley Council interpretative display, Mount Annan Christian College, Nimmitabel Public School, Yass Public School, Yass High School, Berinba Public School

HEALTH AND SAFETY

Our businesses focus on creating safe working environments by investing in preventative practices and strong safety-first leadership and culture. This is backed by targeted training programs, comprehensive reporting and investigation of incidents to continuously improve performance.

CERTIFICATION

All of our businesses are certified to the AS/NZS 4801 – Workplace Health and Safety Management Systems Standard.

Victoria Power Networks and SA Power Networks are also certified to the WHS AS18001 Standard. Victoria Power Networks undertook the three-year recertification during 2018 and is accredited under the Federal Government Building and Construction Workplace Health and Safety Scheme.

SA Power Networks underwent a recertification audit against the Federal Government Building and Construction Occupational Health and Safety Scheme in early 2017, and was awarded a six-year renewal period, the highest possible renewal period under the scheme.

In addition, SA Power Networks achieved a five-year renewal of its Self-Insurance Status in 2015 after a stringent audit by ReturnToWorkSA against the WHS and Injury Management Standards for Self-Insured Employers in South Australia.

TransGrid places the safety of staff, contractors and community as its first priority. This was recently recognised by SafeWork NSW, which presented TransGrid with an award for Leadership in Safety.

SAFETY GOVERNANCE

Our businesses have comprehensive structures for managing and mitigating Work Health and Safety (WHS) related risks.

Victoria Power Networks and SA Power Networks operate business-wide WHS committees with subordinate committees across the regions, providing a forum for the workforce to have input into Health, Safety and Environment (HSE) issues and initiatives. The HSE committees consult and communicate with employees on HSE matters across the region, drive HSE improvement for all employees and contractors, share relevant information, and engage with regional management to consider local resolutions to HSE issues raised by employees. The Boards of Victoria Power Networks and SA Power Networks have oversight of the management committees through regular reporting and risk reviews. 100% of field employees and new employees have conducted safety compliance training in 2018.

TransGrid has six regional management health and safety committees across NSW and the ACT. Each committee has approximately 12 members with a mix of managerial, team leader, safety advisor and field and office employee constituents, and meets on a quarterly basis. The Board Health, Safety & Environment Committee oversees the implementation.

At TransGrid, all new employees and contractors are required to undertake induction and safety training. Works

delivery staff are required to attend annual mandatory training. In 2018, 486 employees and 1,026 contractors undertook specific safety training relevant to their work. Additional training included Certificate 4 WHS training for all construction supervisors, and vehicular training for relevant staff.

KEY INITIATIVES IN 2018

Victoria Power Networks launched a new preventative and proactive HSE strategy. The rolling three-year strategy focuses on injury prevention, hazard reporting, building leadership capability, simplifying systems as well as effective and timely communication. The strategy is underpinned by five focus areas that comprise People, Capability & Resources; HSE Systems & Processes; Hazard Awareness & Compliance; Communication & Stakeholder Engagement; and Performance Data & Benchmarking.

Further HSE reporting system enhancements were made to Cintellate (the HSE hazard, incident and risk IT system) during the year to better address the internal and external reporting requirements and improve functionality. The Project Switch initiative aimed at the high-risk process of de-energising and re-energising or 'switching' the network continued in 2018, with a series of training sessions provided at key locations.

Existing employee wellbeing programs continued with the Resilience Project. The Stepathlon program promoting the benefits of regular exercise and R U OK day were also implemented. In 2017, 675 men

PROACTIVE REPORTING AND SAFETY CULTURE



1,665

Hazard and Near Miss incidents reporting at Victoria Power Networks, up 424%



280+

managers participated in SA Power Networks' Switch On Safety Leadership Academy



30%

decline in TransGrid High Consequence Incidents

Changing the safety culture at Victoria Power Networks



Changing an organisation's safety culture is the challenge accepted by Steve Bourke, Head of Health, Safety and Environment.

"We want our people to live the company value of Live Safely. When incidents occur we want to understand why they happen so we can prevent them. It's not about blaming people, it's about learning to keep our people safe," he said.

More than 150 employees and managers from across the business took part in consultations to form the Fair and Just Framework underpinning the new preventative and proactive HSE strategy. Launched in July 2018, it was accompanied with roadshows at every depot, training for all operational team managers, video messages by the CEO as well as field employees, new tools and resources available on the HSE Hub training system, and a competency-

based training needs analysis to strengthen investigative capabilities, with targeted training programs soon to follow.

In an industry-first, the strategy involves establishing an Operating Mentor at every depot, supported by four senior leaders comprising the Operating Performance Team. This network of mentors will help promote, support and embed the shift in safety culture with new behaviours and attitudes across all sites.

Over three years, the new HSE strategy will see a program of works over five focus areas comprising People, Capability & Resources; HSE Systems & Processes; Hazard Awareness & Compliance; Communication & Stakeholder Engagement; and Performance Data & Benchmarking.

participated in the Prostate Program that provides free prostate cancer screening for all male employees. Following its success, prostate health checks were offered again in 2018. In addition, a new women's health initiative was launched.

SA Power Networks launched a new three-year Safety Strategy 2020, with the objectives of Keeping our People Safe and Well, Empowering Leaders and Building on Safety Culture and Systems. Initiatives in 2018 included a focus on the Work Safe Values, Teamwork, Ownership, and Manage Risk & Communication. These values formed the centrepiece for the delivery of the Safety Leadership Academy another project from the strategy that has been delivered to more than 280 leaders and workers. The three-day experiential workshop aims to drive an understanding of safety leadership, human factors, behaviours and the introduction of the SA Power Networks Just and Fair Framework. The new Risk and Incident Management System, Enablon, was launched in November 2018, to achieve significant efficiencies and integration of safety, risk and audit management functions across the business and enable the capture, management and analysis of WHS data and to drive WHS performance.

The Health Hub wellbeing initiatives, which commenced in 2017, continued with the roll-out of health screening, skin checks and mental health training programs across metro and regional locations. In addition, the early treatment for minor injuries program providing free physiotherapy treatments,

and the expanded Employee Assistance Program were further promoted, supported by a new online portal.

Initiatives at **TransGrid** during the year included the Annual Safety Day, safety working group, Heads-up safety conversations, enhanced crew-leader training, internal communications building safety awareness, high consequence risk management and awareness programs.

SAFETY PERFORMANCE

All of our businesses measure a variety of safety performance indicators to understand whether their processes and behaviours are effective in minimising safety incidents and serious harm.

The businesses track Lost Time Injury Frequency Rate (LTIFR) and Medical Treatment Injury Frequency Rate (MTIFR) or Total Recordable Injury Frequency Rate (TRIFR) for employees and contractors. They also track serious consequence-based injury, or major incidents that are capable of causing or did cause serious or fatal harm under various measures. For example, Victoria Power Networks tracks potential Class 4/5 incidents, which has reduced from 13 incidents in 2016 to 4 in 2018. SA Power Networks tracks a measure called the Fatal Risk Incident¹, which halved in 2018. Similarly, TransGrid recorded a 30% decline in High Consequence Incidents in the year to 30 June 2018 compared to the previous year.

All of our businesses also track and report at-fault vehicular incidents and switching

incidents as these are high-risk incident activities. TransGrid also tracks and investigates Power System Safety Rule breaches.

The businesses consider that their serious consequence-based injury measures and leading indicators are more meaningful than lagging indicators as they are a more accurate and reliable representation of risk. This is because an absence of incident does not necessarily equate to an absence of risk. In this way, risk is identified and managed before it goes on to cause harm.

Victoria Power Networks has a proactive reporting culture with near miss reporting increasing 424% to 1,665 incidents in 2018. It also reports on an index of safety indicators including number of vehicular incidents, closeout of incident and hazard actions, timely incident reporting as well as hazard and near miss reporting. In 2018, the index score was 86%, exceeding the target of 85%.

SA Power Networks collects a range of lead measures including the number of field observations done, the number of leadership safety visits and WHS health check survey data.

TransGrid reports on and tracks a number of lead indicators including hazard reporting, Heads-up safety conversations, audit schedule completion, leadership training and skill gap training.

There were zero fatalities across our businesses in 2018.

1. An incident with credible potential to cause death(s) or serious and permanent injury/injuries and where back-up preventative/control measures were absent or potentially deficient.

WORKFORCE

Our people are integral to maintaining the safety and reliability of our networks and we invest in the development of our workforces.

Spark Infrastructure and our businesses are equal opportunity employers committed to promoting diverse, engaged and inclusive workplaces and offering career development opportunities for our people.

EMPLOYEE ENGAGEMENT AND RETENTION

All of our businesses use regular employee surveys to assess the level of employee engagement and alignment with strategic priorities. Survey outcomes directly shape people initiatives prioritised for the following year.

Victoria Power Networks continues to be a top-quartile performer relative to the global utility sector, achieving 88% participation and top-quartile engagement score of 79%, up from 74% last year.

SA Power Networks' 2017 survey showed a very positive employee engagement score of 83%, placing the business 11% above the industrial sector benchmark, and is up from 79% in the prior study. The focus of work this year has been to implement improvement plans for workgroup effectiveness that were identified in the 2017 survey. The next engagement survey will be in 2020. Employee turnover continues to remain under 5%.

TransGrid achieved an 84% participation rate in the 2018 employee engagement survey. Key focus areas for 2019 include communicating more on the future direction of the business, recognising employee contribution and building leadership capability.

DIVERSITY AND EQUAL OPPORTUNITY

Victoria Power Networks has implemented a number of initiatives across gender, age and cultural diversity and inclusivity following the work of its Diversity and Inclusion Working Group last year. In 2018, initiatives have included celebrating various events such as the Hindu Diwali festival of lights, Lunar New Year celebration, International Women's Day, National Harmony Day and NAIDOC Week. Flexible working arrangements also help ensure the business continues to create a workplace that attracts and retains talent. 20% of the executive team and 19% of the senior management group are female.

SA Power Networks is committed to delivering a stronger inclusive culture that enables all employees to flourish and bring out their best. A Diversity and Inclusion Steering Committee headed by CEO, Rob Stobbe, has been established and includes a number of senior leaders. Key initiatives this year include stronger sponsorship to increase the number of women in leadership roles, continuing to increase the number of women in non-traditional roles, promoting career development opportunities, increasing awareness of flexible work practices and mentoring programs. New cultural awareness programs and events also took place, and the target of 10% Indigenous in the 2019 apprentice intake was achieved.

TransGrid is working to create a diverse and inclusive workplace in which all employees feel valued, included, and able to contribute to the best of their ability. It is working to increase female and Indigenous talent by working with educational institutions through sponsorships and scholarships and offering graduate employment to recipients. In addition, TransGrid's Reflect Action Plan was endorsed by Reconciliation Australia in October 2018.

In 2018, TransGrid increased workforce participation of women from 19.5% to 21.1% and achieved a 10.7% proportion of women in non-traditional roles, exceeding its target of 9%. TransGrid has targets for female participation and women in leadership of 26% by 2020, with the number of women in leadership positions already well placed at 25%.

Supporting female engineering students



To attract women to the field of electrical engineering, Victoria Power Networks created the Women in Electrical Engineering scholarship. Three scholarships are awarded, with recipients receiving support in their final two years of study, an assigned mentor from within our business, and 12 weeks of vacation work experience before their final year of study.



50%

female
representation at
Spark Infrastructure



79%

employee engagement
at Victoria Power
Networks



25%

female apprentice
intake for 2019 at SA
Power Networks



10.7%

women in non-traditional
roles at TransGrid, ahead
of 9% target

TRAINING AND DEVELOPMENT

Spark Infrastructure and our businesses invest heavily in training and development of their people, including technical skills training, leadership training, mentoring and career development to ensure employees have the skills and capabilities needed to undertake their work and develop their careers for the future.

Victoria Power Networks has a strong suite of training and development programs. The business is the largest employer of apprentices among Victorian distribution businesses, with 19 new first-year apprentices joining the business this year. Since 2001, the business has trained 405 apprentices and trainees, as well as 72 graduates through the three-year graduate engineering program. In 2018, the business ran 63 development programs for over 200 managers and leaders to develop both strategic and operational skills. This included partnering with the Melbourne Business School to run a nine-month strategic leadership program and launching a new program for 20 emerging leaders.

There is a strong commitment to investing in leadership development, with five strategic leadership Master Classes developed collaboratively with Melbourne Business School and delivered throughout the year. These classes cover the latest academic theory in areas like Systems Thinking, Data & Analytics and Future Thinking, in addition to workshop sessions designed to engage, challenge and inspire participants.

SA Power Networks has been providing technical trade training to employees and contractors for more than 50 years. 44 powerline and electrical apprentices joined in 2018 in a four-year program comprising both on-the job and off-the-job training at SA Power Networks Training Centres and at TAFE SA. It also provides nationally-accredited leadership and project management qualifications, with 34 employees participating in Certificate IV, 14 employees participating in the Diploma of Leadership and Management and 10 employees graduating with the Diploma of Project Management. Leadership development is also a strong focus, offering programs such as Empowering and Inspiring Leadership, Leader as Coach and Strategic Thinking for Effective Decision Making.

TransGrid has developed a whole-of-business capability framework covering behavioural, commercial acumen, technical and leadership capabilities. Employees participated in capability assessments in 2018 and drafted development plans with their managers. A series of formal development programs have been scheduled throughout 2019 to provide course-based training to employees across multiple locations in addition to on-the-job and one-on-one development initiatives.

All employees and workers had the opportunity to receive a performance and career development review during the reporting period.

ENVIRONMENT

Spark Infrastructure and our businesses are committed to participating in Australia's lower emission energy future, in a manner that is consistent with the expectations of the community, policy makers and stakeholders.

Further, we are committed to conducting our operations in a manner that prevents or minimises pollution and other adverse impacts on the environment.



80,000

native trees planted by Victoria Power Networks since 2005, helping revegetate more than 73 hectares

ENVIRONMENTAL SUSTAINABILITY

Our businesses have implemented comprehensive structures for managing environmental impacts and risks. Compliance with environmental legislation and regulation is viewed as a minimum requirement. Key focus areas include the management of hazardous substances, native vegetation, and recycling and waste.

To ensure environmental management objectives are met, all of our businesses maintain robust Environmental Management Systems (EMS) in line with the international standard ISO14001, the industry benchmark.

The EMS provides a framework for identifying and managing environmental issues and risks, and provides direction for managers and employees in delivering the intent of the Environmental Policy. This is continually evolving and is updated on an ongoing basis.

Environmental management is embedded operationally as part of regular activities and overseen by the Health, Safety & Environment Group at Victoria Power Networks, and the Environment Group at SA Power Networks. SA Power Networks continues to implement initiatives as part of its Sustainable Procurement Action Plan, with the goal of aligning internal systems with the new ISO 20400:2017 Sustainable Procurement Standard.

Efforts in 2018 included:

- **Victoria Power Networks:** native vegetation and cultural heritage awareness raising and roll-out of new assessment tools, recertification audit for the environmental management system standard (ISO 14001:2015), and continued focus on reducing risk to stormwater contamination.
- **SA Power Networks:** the installation of the Kangaroo Island undersea cable was environmentally complex, involving consideration of native vegetation, protected fauna such as sea eagles and migratory whales and vulnerable marine environments, and Aboriginal cultural and European heritage. In addition, the organisation's commitment to recycling and resource recovery systems continues to achieve positive results.

The protection of the environment is a fundamental value in **TransGrid's** day-to-day operations and its commitment to the environment extends to employees and contractors. The business is committed to actively identifying and managing environmental risks in the business, in a sustainable manner.

Renewable energy



We actively support Australia's transition to a lower carbon emission future.

South Australia leads the nation in the adoption of new energy technologies such as solar panels and battery storage. Around one in four of its customers has rooftop solar generation. Taken together, they can generate more than 1,000MW of power, which is more energy than any other single generator in the state.

Enerven and Beon pursue large-scale renewable energy procurement and construction contracts including the installation of utility-scale solar and wind projects for customers. Both are members of the Clean Energy Council.

In 2018, Beon was awarded the Karadoc Solar Farm contract to design, plan and procure the 112MW installation in northern Victoria, contracts for 840kW of solar installation across two sites in Tasmania, the first large-scale solar projects in the state and a solar contract for two shopping centres in South Australia totalling more than 11MW. During 2018, Beon was also appointed to construct a 30km 132kV transmission line connection to the 321MW Moorabool Wind Farm and the Elaine Terminal Station.

TransGrid's renewable energy connections business continues to grow, with wind and solar farms already connected to the electricity grid delivering 1.1GW of renewable energy to customers. A further 1.2GW will be delivered by 2020.



902MW

Our businesses were responsible for building or connecting renewable energy to the electricity grid during 2018



750MW

Since 2000, Powercor has added 750MW of renewable energy to the network from new wind and solar farms, with another 350MW planned to be connected in the next two years

Using LiDAR to help with vegetation management



A year round program of vegetation management is important as trees growing too close to powerlines can cause fires, outages and power surges and present a significant safety risk to the community.

In 2017, Powercor did not clear sufficient vegetation from powerlines in low bushfire risk areas (LBRA) in 189 of its spans before the summer. Powercor accepted that it breached its regulatory requirements.

In response, CitiPower and Powercor have acted to strengthen and improve their vegetation management programs. In 2018, this program has been the most extensive ever conducted, with CitiPower and Powercor using Light Detection and Ranging Measurement (LiDAR) to develop a digital map of their entire networks. The radar technology involves a small plane flying over the network, sending and receiving laser pulses to develop a high-resolution map of the distances between a powerline and nearby vegetation to an accuracy of within 10cm.

CitiPower and Powercor use the data to help prioritise vegetation management works for the 2018 summer season.

As a result, more than 86,000 spans, or 17% of the Powercor network, and 6,000 spans, or 10% of the CitiPower network, have been cleared of surrounding vegetation this year. All work is conducted in line with Victorian Government regulations.

CitiPower and Powercor will now be conducting LiDAR on the networks every year. Once data is received across a number of years, vegetation growth rates across areas of the network can be modelled, helping with its regulatory compliance and improve identification and reduction of bushfire risk.

The technology can also be used to determine if wires are sagging with insufficient clearance from the ground. This allows re-tension works to be identified and prioritised earlier.

CLIMATE CHANGE

Climate-related impacts and Australia's transition to a low-emission future affect our customers, operations and supply chains. We take a risk-based approach to climate change. Evaluating exposure to climate-related risks and opportunities are integrated within our businesses' risk identification, assessment, and management processes overseen by the Audit, Risk and Compliance Committees of the Boards of the businesses in which we invest, and the Board of Spark Infrastructure.

We identify and assess the risks and strategic opportunities presented by climate change including the impacts to our business both in the short and long term. These risks and opportunities are incorporated into management objectives and business strategy.

Victoria Power Networks have a Climate Change Policy and Strategy which assists them to manage the impacts of climate change on their assets and operations and to work to reduce their contribution to climate change. Climate change is incorporated in TransGrid's risks and opportunities register, and planning is in place to develop an emissions reduction strategy and an energy efficiency strategy.

In particular, our businesses continuously assess the potential financial impacts related to extreme weather events. We maintain a watching brief on the evolution of global climate change mitigation frameworks, and predictions relating to physical impacts of climate change in Australia, including evolutions in bushfire risk. We support our businesses' appraisal of network augmentation infrastructure investment opportunities to proactively manage evolving physical impact-related risks.

In relation to the physical asset risk, our businesses are actively adapting network operations to better withstand forecast climate conditions, including reviewing standards and materials used in construction and maintenance of the networks to make the networks more resilient to extreme weather.

We continue to evaluate the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) with the view of addressing these in future reporting.

FINES AND PENALTIES

In 2018, SA Power Networks received a civil penalty from the Environment Protection Authority (EPA) following a substation fire and oil spill incident at Thebarton. The EPA was satisfied with the response and clean-up of the incident with no longer-term environmental harm. This resulted in a fine of \$3,465.

For 2018, TransGrid had one reportable heritage-related incident which is still being investigated together with the relevant authority.

REGULATORY & INDUSTRY ENGAGEMENT

Spark Infrastructure and our businesses engage with regulators and other industry participants on important energy matters, with the aim of ensuring investment in the sector remains commercially viable.

We support a stable and predictable regulatory environment that achieves the returns required to support efficient investment and innovation that will deliver a lower cost system over time.

REGULATORY LANDSCAPE

There has been considerable activity in energy and regulatory policy during 2018 driven by a desire to reduce energy prices across the energy supply chain.

For owners of electricity networks, the activity has included:

- Government intervention to increase the discretion of the regulator at the same time as narrowing judicial review rights;
- Government interventions to seek review of the AER's approach to tax and review of the regulatory investment test;
- Reviews of the regulatory framework and energy system by the Australian Competition and Consumer Commission (ACCC), AEMO and the Energy Security Board (ESB); and
- Proposals by the AER to significantly reduce regulated returns and refine the benchmark estimate of tax allowances.

We share the objective to reduce energy prices to customers and we are doing our part by continually seeking more innovative and lower-cost ways of providing services to our customers. However, the considerable activity, and at times, contrary and unpredictable decisions, have increased the uncertainty and risk facing the regulated network sector, to the detriment of the investment environment and the long-term interests of customers.

This is at a time when the sector needs more investment, to efficiently and effectively transition to a low-cost, reliable, secure low-emission future.

REGULATORY ENGAGEMENT

Spark Infrastructure has responded by becoming more active in our dialogue with regulators, government and politicians. We have become more vocal, led the coordination of views of peers and developed a view for the future to guide our contributions.

Our objective is to maintain a robust and independent regulatory framework which has been shown to work effectively for privately-owned businesses like ours, to build an integrated energy system and strengthen energy security supply, while delivering lower energy costs to consumers.

We have contributed in the reviews undertaken by multiple regulators in the energy sector: the AEMC, AEMO, ACCC, AER and ESB. We provided submissions, led the Network Shareholders Group (NSG) in providing joint submissions, participated in reference groups, and met with regulators. The NSG brings together some of the largest investors in Australian energy networks, having collectively invested more than \$12 billion in electricity transmission and distribution networks.

In response to the politicisation of the processes, we have also shared views on government policy and legislative processes in submissions, letters to Ministers and meetings with Ministers and policy officials.

All of Spark Infrastructure's written contributions to these processes are available on our website.



We share the objective to reduce energy prices to customers and we are doing our part by continually seeking more innovative and lower-cost ways of providing services to our customers.



15

submissions to regulatory reviews by Spark Infrastructure in 2018



13

meetings with the Australian Energy Regulator in 2018



LEADING

the contributions of the Network Shareholder Group to reviews and a member of the AER Investor Reference Group

INDUSTRY ASSOCIATIONS

Spark Infrastructure has provided submissions and views on regulatory and policy processes directly as well as a part of the NSG, and participated in the AER's Investor Reference Group (IRG). The membership of the IRG is available on the AER's website.

Spark Infrastructure is also a member of the NewReg Reference Group, a joint initiative between the AER, Energy Networks Australia and Energy Consumers Australia. We also collaborate with Energy Networks Australia (ENA), the energy network industry representative organisation.

In addition, the CEO of Victoria Power Networks, Tim Rourke, was appointed chair of ENA in November 2018.

REGULATORY ENGAGEMENT BY OUR BUSINESSES

Our businesses are proactive in their engagement on regulation and policy. They engage heavily with the AER, other regulators and Australian energy institutions as well as with policy makers, politicians, local government agencies, consumer representative groups and customers.

The main area for engagement is with the AER, the AER's Consumer Challenge Panel and customers on revenue setting processes and processes that introduce new, or changed, obligations and arrangements that may impact on incentives, prices and services to be provided to customers. This could include financial incentive mechanisms, network tariff structures, compliance reporting and enforcement, investment evaluation and the contestability of services. To support the AER processes, and ensure customers can influence outcomes, our businesses co-ordinate customer specific consultation and focus groups on prices and services in general, or in relation to specific projects or issues. Examples include:

- **TransGrid** engaged with policymakers, regulators and customers on its 2018 to 2023 revenue determination process and the RIT-T application guidelines review. Engagement will continue during 2019 on the Powering Sydney's Future project; and
- **Victoria Power Networks** has an integrated stakeholder engagement program each year on all major capital expenditure projects, community-based operations and the regulatory reset process. This program is designed in line with international best practice to share information and support informed choices; and
- **SA Power Networks** has undertaken a comprehensive engagement program to support its revenue determination process conducting early engagement and research, followed up with in-depth engagement on specific issues in development of the draft plan and then public consultation on the draft plan prior to submission to the AER.

All of our businesses contributed directly, or through the ENA, to the AER's reviews of the rate of return guideline, the regulatory approach to tax, productivity growth, profitability, compliance and pricing.

Over the last year, the significant number of reviews and issues being considered by the COAG Energy Council, the AEMO, AEMC and ACCC has led to a considerable increase in activity by our businesses directly, or through ENA and other agencies such as the Clean Energy Council. The aim of these engagements is to improve public policy outcomes and ensure customers are provided services they demand at the lowest cost. Examples of these reviews include the ACCC Retail Pricing Inquiry and the AEMC's annual review of electricity network regulation. SA Power Networks has also worked closely with the ENA and AEMO on the Open Energy Networks program to support distributed energy resources, alternatives to grid supplied services and the role of the distribution system operator (DSO).

In addition, our businesses are called upon by state and federal members of parliament or their electorate offices to provide information and views on inquiries and participate in working groups and committees on issues such as residential connections, metering contestability, post-event review of outages, emergency protocols and customer reporting. They hold briefings with state and federal cabinet members to raise awareness for operations, obligations and risks. For example:

- TransGrid supported the development of the NSW Government's Transmission Infrastructure Strategy and AEMO's ISP by providing valuable information and analysis to test alternative options and shape the future of the network. TransGrid also worked closely with the AEMC on the coordination of generation and transmission investment and the ESB to develop an actionable plan for priority projects in the ISP and the retailer reliability obligation.
- SA Power Networks has worked closely with AEMC, AEMO, the AER and the South Australian Government to minimise the impact of metering contestability on customers and improving system security, and with ESCOSA on the reliability service standard framework for 2020-2025.

TECHNOLOGY, INNOVATION AND RESILIENT ASSETS

Developing and using technology, data, analytics and innovation are critical to our businesses being able to deliver the future of energy in an efficient way at the least cost to consumers. Spark Infrastructure actively undertakes and supports the efficient investment in these initiatives.



\$1,034^M

Capital expenditure in regulated assets in 2018*



26%

Reduction in minutes of supply lost annually per customer at Victoria Power Networks (2007–2017)

Smart wood pole inspection device provides accurate real-time pole strength data



Victoria Power Networks is trialling a new technology to provide more accurate wood pole condition data and to make more informed replacement and maintenance decisions.

The innovative resistograph technology involves a micro drill entering wooden poles to generate a real-time graph based on resistance of the wood, providing an accurate reading of the strength of the pole.

Victoria Power Networks has over 407,000 wood poles on its network. The condition of wood poles are influenced by environmental factors such as exposure to termites, rainfall and conditions of the ground that poles are embedded into.

Consequently, improved intelligence on the condition of wooden poles is critical to ensuring that poles are replaced before they fail and resulting in reducing network risk.

* On 100% basis for Victoria Power Networks, SA Power Networks and TransGrid



Transforming into a self-healing grid using automation



SA Power Networks has implemented an Advanced Distribution Management System (ADMS) to replace legacy systems utilised for monitoring, control and management of access to the distribution network. As well as supporting traditional network operations functions, the system integrates geospatial data to build a sophisticated, real-time model of the interconnected high-voltage network to enable advanced analysis, planning and optimisation of the distribution network.

This technology will allow SA Power Networks to better manage the two-way flow of energy and provide improved customer choice at a residential level.

With feeder automation technologies already integrated on the platform, this means a large part of network management is now autonomous. 200 remote control switches were added to automatically restore supply after an outage, allowing the network to perform self-healing after interruptions in supply.

The ADMS platform and its feeder automation capabilities demonstrate the potential value that can be unlocked through transitioning to a highly-automated, network of the future.

CYBER SECURITY

Protecting the entire energy sector against cyber threats is a matter of national importance and national security. In 2018, AEMO, in conjunction with other key stakeholders, developed a framework to manage cyber security issues in the energy sector.

Our businesses contributed to AEMO's assessment which provides a strong foundation that will enable the further enhancement of cyber security maturity across the energy sector as a whole. AEMO reported a high proportion of utilities had a strong awareness of the importance of this subject across the sector.

Our businesses are well placed to contribute to this work with TransGrid's Chief Security Officer and SA Power Networks' Cyber Security Manager serving as the Australian transmission and distribution networks representatives to the Cyber Security Industry Working Group.



In 2018 SA Power Networks won the Best ICT Project award at the 2018 Australian Institute of Project Management SA Chapter for its machine learning algorithm that automatically converts old network design drawings to a digital format that is usable in design software packages.

FINANCIAL MANAGEMENT

Prudent financial management is one of our core tenets and key to the financial long-term sustainability of our business model. We also apply rigorous financial and operational oversight to our investment businesses, including evaluating future growth opportunities.

FINANCIAL RISK MANAGEMENT AND TREASURY

The treasury functions of each of Spark Infrastructure and our businesses manage financial risks. Treasury and financial risk management activities for Spark Infrastructure are governed by the Treasury Policy, which is approved by the Board and aligned with our corporate objectives. Overall objectives of the Treasury Policy are:

- **Liquidity and funding:**
 - ensure access to sufficient cash resources to meet Spark Infrastructure’s financial obligations as they fall due, including expenses, interest and distributions;
 - optimise return on surplus funds, within the constraints of the Treasury Policy; and
 - compliance with borrowing facilities, covenants and undertakings;
- **Interest rate and foreign exchange:**
 - minimise the impact of adverse interest and exchange rate movements using appropriate tools as outlined in the Treasury Policy; and
 - require the businesses in Spark Infrastructure’s portfolio to be fully hedged against currency fluctuations on foreign currency borrowings;
- **Counterparty credit risk:**
 - ensure investment and derivative transactions are undertaken with approved creditworthy counterparties, in accordance with set limits; and
- **Operational:**
 - ensure the treasury function operates in a controlled manner that safeguards the financial interests of Securityholders.

“Spark Infrastructure is committed to being a good corporate citizen by encouraging a robust tax system and acting openly and transparently in our disclosures to Securityholders, stakeholders and the public.”

While our Treasury Policy does not directly govern our businesses, our representatives on the Boards of our businesses have regard to its core principles when considering the operations of the businesses.



5.6 YEARS

weighted average debt maturity



95%

debt fixed or hedged



NIL

drawn debt at Spark Infrastructure level



| As at 31 December 2018 | Victoria Power Networks | SA Power Networks | TransGrid |
|--|---------------------------------|---------------------------------|---------------------------------|
| Credit Rating (S&P/Moody's) | A- / n/a | A- / n/a | n/a / Baa2 (on USPP notes) |
| Weighted Average Maturity⁽¹⁾ (31 December 2017) | 5.5 yrs (5.2 yrs) | 5.6 yrs (6.0 yrs) | 6.1 yrs (5.9 yrs) |
| Net Debt (31 December 2017) | \$4.369bn (\$4.189bn) | \$3.155bn (\$2.962bn) | \$5.509bn (\$5.456bn) |
| Net Debt/RAB (31 December 2017) | 71.5% (71.0%) | 75.0% (73.1%) | 86.2% (86.0%) |
| Net Debt/RAB + CAB (31 December 2017) | N/A | N/A | 80.7% (81.5%) |
| FFO/Net Debt (31 December 2017) | 15.3% (14.9%) | 16.6% (17.1%) | 8.2% (9.0%) |

Spark Infrastructure is rated Baa1 with a stable outlook by Moody's.

Spark Infrastructure targets at least a BBB/Baa2 equivalent credit rating for each of the businesses in its portfolio.

1. Weighted average maturity calculation is based on drawn debt at 31 December 2018.

CAPITAL STRUCTURE

Spark Infrastructure RE Limited is the responsible entity of Spark Infrastructure Trust. Spark Infrastructure is a specialist infrastructure fund and comprises a single trust listed on the Australian Securities Exchange (ASX). One unit in the Spark Infrastructure Trust (Spark Trust) and one loan note issued by the responsible entity are stapled and quoted as a single security, and cannot be traded separately.

Spark Trust is a managed investment scheme regulated by the Australian Securities and Investments Commission and the Corporations Act 2001.

The Spark Trust is the parent entity of a group of entities collectively known as the Spark Infrastructure Group. The Group is comprised of six separate taxpayers described as follows:

- Spark Trust, which is the parent entity and a Managed Investment Trust that is treated as a flow-through entity for tax purposes. Spark Trust directly holds a portion of the 15.01% TransGrid investment via a wholly-owned subsidiary trust, Spark Infrastructure Electricity Assets Trust, which is also a flow-through trust;
- Spark Infrastructure Holdings No 1 Pty Limited, the head company of the SIH No.1 tax consolidated group, which ultimately holds the 49% interest by way of shares in Victoria Power Networks;

- Spark Infrastructure Holdings No 2 Pty Limited, the head company of the SIH No.2 tax consolidated group, which ultimately holds the 49% interest in SA Power Networks (a partnership entity); and
- Spark Infrastructure Holdings No 3 Pty Limited, the head company of the SIH No.3 tax consolidated group. SIH No.3 undertakes management and other administrative activities and holds the Group's trustee entities. SIH No. 3 also holds the remainder of the 15.01% TransGrid investment via a subsidiary trust, Spark Infrastructure Electricity Operations Trust.

While Spark Infrastructure holds minority interests in its portfolio businesses, Spark Infrastructure's relationship with co-shareholders and partners with whom we own the portfolio businesses, require that certain decisions relating to significant corporate matters, including changes in capital structure or distributions, are subject to at least a 75% special majority approval.

TAXATION

Spark Trust, along with the wholly-owned subsidiary trusts (i.e. Asset Trust & Operations Trust), are treated as flow-through entities for Australian income tax purposes. As such, Spark Trust does not pay income tax and Securityholders are subject to Australian income tax on

their share of trust income. In addition to trust distributions (both income and capital), Securityholders receive interest income on the Loan Notes.

The three separate tax consolidated groups are each taxed as a single entity at the applicable corporate tax rate of 30%.

The SIH No.1 Group's investment in Victoria Power Networks is via a combination of shareholder loans and ordinary equity.

The SIH No.2 Group's investment in SA Power Networks is via a combination of ordinary and preferred partnership interest.

To the extent SIH No.1 and/or SIH No.2 pay tax it is anticipated franked dividends would be paid to Spark Trust.

We expect that the SIH No.1 Group will become a taxpayer in respect of 2019. In respect of SIH No.2 Group should the decision of the Victoria Power Networks ATO litigation on gifted assets and cash contributions be upheld or not appealed it will also be a taxpayer.

Spark Infrastructure is committed to being a good corporate citizen by encouraging a robust tax system and acting openly and transparently in our disclosures to Securityholders, stakeholders and the public. As part of our continuing efforts to ensure openness and transparency, Spark Infrastructure has adopted the Board of Taxation's Voluntary Tax Transparency Code, with the latest disclosure document available on our website.