

ASX & SGX-ST Release



5 June 2015

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Level 31, 2 Southbank Boulevard
Southbank Victoria 3006
Australia
Tel: +61 3 9695 6000
www.ausnetservices.com.au

Corporate Governance Statement

Enclosed is an announcement made by AusNet Services which is provided for the information of AusNet Services Holdings Pty Ltd noteholders.

Susan Taylor
Company Secretary

Investor Relations
John Nicolopoulos
Manager, Investor Relations
+61 3 9695 6301 or +61 409 672 912
Media Relations
Jonathon Geddes
Media Advisor
+61 3 9695 6401 or +61 410 573 278

AusNet Services
AusNet Services (Distribution) Ltd
ABN 37 108 788 245
AusNet Services (Transmission) Ltd
ABN 48 116 124 362
AusNet Services Finance Trust
ARSN 116 783 914

AusNet Services (RE) Ltd
ABN 46 109 977 371
AFS Licence No. 294117 as responsible
entity for AusNet Services Finance Trust

CORPORATE GOVERNANCE STATEMENT

AusNet Services is committed to achieving high standards of corporate governance.

This Statement outlines the key aspects of AusNet Services' corporate governance framework and main corporate governance practices by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition, including the 2010 amendments ("ASX Principles and Recommendations"). The 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, which come into effect on 1 July 2014, will form the basis of AusNet Services' Corporate Governance Statement in 2015.

AusNet Services follows all but five¹ of the Recommendations contained in the ASX Principles and Recommendations. An explanation for each of these departures is included in this Statement. Certain changes to Board and Committee composition, that took effect from the conclusion of the 2014 Annual General Meeting of AusNet Services, are noted in this report for completeness.

Material relating to AusNet Services' corporate governance practices may be found in the "Corporate Governance" section of AusNet Services' website, www.ausnetservices.com.au. These corporate governance practices will continue to evolve in the light of the changing circumstances of AusNet Services and will be tailored to meet those circumstances.

This Statement applies to AusNet Services and all entities comprising "AusNet Services" or the "Stapled Group" as described in the 2014 Directors' Reports.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board responsibilities

The Board has adopted a formal Board Charter that sets out its role and responsibilities. The Board Charter may be found in the "Corporate Governance" section of AusNet Services' website. (ASX Recommendations 1.1 and 1.3)

A key role of the Board is to represent and serve the interests of securityholders by overseeing and appraising the strategies, policies and performance of AusNet Services, including the performance of the Managing Director and management. The Board seeks to protect and optimise AusNet Services' performance and build sustainable value for securityholders in accordance with all duties and obligations imposed on it by AusNet Services' constitution and by law. The Board sets AusNet Services' values and standards. It also ensures that securityholders are kept informed of AusNet Services' performance and major developments affecting its state of affairs.

The responsibilities of the Board include approving the appointment of the Managing Director, Chief Financial Officer and other senior executives, approving AusNet Services' corporate strategy and monitoring its implementation, and reviewing and guiding systems of risk management and internal control, and ethical and legal compliance. The Board is also responsible for approving major capital expenditure, acquisitions and divestitures, and monitoring and reviewing policies and processes aimed at ensuring the integrity of financial

¹ ASX Recommendations: 2.1 – majority independent directors on board; 2.2 – independent chairman of board; 2.4 – majority independent directors on nomination committee; 4.2 – majority independent directors on audit committee; 8.2 – majority independent directors on remuneration committee.

and other reporting. To assist in the discharge of its responsibilities, the Board may delegate any of its powers to its committees, a Director, employee or other person.

The Board Charter identifies matters which are specifically reserved for the Board or its committees, including the approval of dividends and distributions, corporate governance principles and policies, and during the 2013/14 year, the review of the provision of services by SPI Management Services. (ASX Recommendation 1.1)

Management must supply the Board with information to enable it to discharge its duties effectively. Directors are entitled to request additional information, including external advice, at any time.

The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board. The Board approves corporate objectives for the Managing Director and, together with the Managing Director, develops his duties and responsibilities with limits to management's authorities. The Board is responsible for reviewing the role and responsibilities of management.

The Board reviews the Board Charter regularly, with a view to doing so at least every two years, or more frequently if warranted by the circumstances.

Performance of Executives

A formal performance evaluation of the Managing Director and senior executives occurs annually through the development of performance plans linked to AusNet Services' business plan for the year. The performance plans have key performance targets set by the Board and the Managing Director sets personal targets for key executives. Key performance targets cover such areas as safety, finance, network performance and reliability, and program delivery.

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

A formal evaluation of the Managing Director and senior executives was undertaken during the 2013/14 year in accordance with this process. (ASX Recommendations 1.2 and 1.3)

Induction and Continuing Education

Established induction procedures allow new Directors and key executives to participate fully and actively in informed decision-making at the earliest opportunity. The procedures are designed to allow new Directors and key executives to gain an understanding of AusNet Services financial, strategic, operational and risk management position, the rights, duties and responsibilities of the Directors, the roles and responsibilities of management and the roles of Board committees. In addition, each new Director is provided with a letter of appointment setting out the key terms of their appointment.

Board training sessions are held periodically throughout each year. In addition, all Directors and key executives have access to, and are encouraged to participate in, continuing education to update and enhance their skills and knowledge.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board determines its size and composition, subject to the terms of AusNet Services' constitutions. The Board Charter requires that the Board comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The Board reviews its composition regularly.

AusNet Services' constitutions provide for a minimum of four and a maximum of 14 Directors. The Board currently comprises ten Non-executive Directors, including the Chairman, and one Executive Director, being the Managing Director.² Three of the Non-Executive Directors were elected to the Board during the 2013/14 year and were re-elected at the 2014 Annual General Meeting. One of new Directors, Sally Farrier, was appointed to the Board to fill the casual vacancy that arose as a consequence of the retirement of Dr George Lefroy in 2013. The other two new Directors, Sun Jianxing and Ralph Craven, are nominees of State Grid International Australia Development Company Limited ("SGID"). The Board considered it was appropriate to increase the size of the Board from nine to 11 to accommodate the appointments of the Directors nominated by SGID, and to retain a balanced composition of skills, background and independence. The number of Directors on the Board was reduced to nine with effect from the conclusion of the 2014 Annual General Meeting, following the retirements of Professor Jeremy Davis and Mr Eric Gwee.

Information about the skills, experience, expertise and period in office of each Director who served during the 2013/14 financial year, is set out in the Directors' Report. Details in relation to AusNet Services' current Directors may also be found in the "About Us" section on AusNet Services' website. (ASX Recommendation 2.6)

Independence of Directors

The Board has adopted the definition of independence set out in the ASX Principles and Recommendations.

Having regard to this definition, the Board considers a Director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgement. The Board assesses the materiality of any given relationship that may affect independence on a case-by-case basis. Each Non-executive Director is required to regularly disclose to the Board all information that may be relevant to this assessment, including their interests in contracts and other directorships and offices held.

The Directors considered by the Board to be independent are Sally Farrier, Tony Iannello, Tina McMeckan and Ian Renard. During the 2013/14 year, none of the independent Directors had any interest or relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgment. Ho Tian Yee is a Director of Singapore Power Limited ("SP"), the parent company of AusNet Services' largest securityholder, and therefore is not considered to be independent. Within the past three years, Ng Kee Choe was a Director of SP and accordingly, is also not considered to be independent. Sun Jianxing and Ralph Craven were appointed on the nomination of SGID. SGID is AusNet Services' second largest securityholder. Mr Sun and Dr Craven are therefore not considered independent. It is noted that two of the Directors, who were not considered to be independent retired with effect from the conclusion of the 2014 Annual General Meeting. (ASX Recommendation 2.6)

AusNet Services has noted ASX Recommendation 2.1 that a majority of the board be independent directors, and that it has not followed this recommendation during the 2013/14 year. As noted above, two of the Directors, who are not considered to be independent retired with effect from the conclusion of the 2014 Annual General Meeting. This resulted in the Board being comprised of four independent Directors and five non-

² It is noted that two non-independent Directors, Professor Jeremy Davis and Mr Eric Gwee, have announced they will retire with effect from the conclusion of the 2014 Annual General Meeting.

independent Directors including the Managing Director. The Board believes that its composition is appropriate having regard to the current major securityholdings of Singapore Power International Pte Ltd ("SPI") and SGID in AusNet Services, and the corporate knowledge and expertise that the non-independent non-executive Directors contribute to AusNet Services. The nominee directors of SP have also provided continuity to the affairs of AusNet Services before and after listing. (ASX Recommendation 2.6)

The Board acknowledges that all Directors – whether independent or not – should bring an independent judgment to bear on Board decisions. To facilitate this, each Director has access in appropriate circumstances to independent professional advice at AusNet Services' expense. (ASX Recommendation 2.6) Independence of decision-making is further supported through the Audit and Risk Management Committee, to which related party transactions are referred for review. With effect from the conclusion of the 2014 Annual General Meeting, the Audit and Risk Management Committee has been comprised of a majority of independent non-executive Directors.

Role of the Chairman and the Managing Director

The Board acknowledges the importance of a clear division of responsibility at the head of AusNet Services. The roles of Chairman and Managing Director are therefore exercised by separate individuals. (ASX Recommendation 2.3)

The Chairman, Ng Kee Choe, is responsible for leading the Board. His role includes ensuring the efficient organisation and conduct of the Board's functions, facilitating effective contribution by all Directors and promoting constructive relations between the Board and management. The Chairman's role also includes ensuring that the Board is provided with all information relevant to AusNet Services' operations and strategies to assist in the discharge of the Board's duties, reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board.

AusNet Services has noted ASX Recommendation 2.2 that the chairperson be an independent director, and that it has not followed this recommendation during the 2013/14 year. Although the Chairman is not considered to be independent, by virtue of his previous directorship of SP³, the Board believes that he is the most appropriate person for the role, given his extensive business experience, particularly in financial services. His position as Chairman also provides continuity to the Board of AusNet Services. (ASX Recommendation 2.6)

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

Standing Board Committees

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

- Nomination Committee (ASX Recommendation 2.4);
- Remuneration Committee (ASX Recommendation 8.1);
- Audit and Risk Management Committee (ASX Recommendation 4.1);
- Compliance Committee; and
- Issuing Committee⁴.

³ The Chairman retired as a Director and Chairman of SP on 30 June 2012.

⁴ The Board established an Issuing Committee as a standing committee of the Board in November 2009 to advise the Board on the parameters, amount, price and terms and conditions of AusNet Services' re-financing activities.

Each Committee has a formal charter which sets out its role and responsibilities, composition, structure and membership requirements. The Committee charters may be found in the “Corporate Governance” section of AusNet Services’ website. (ASX Recommendations 2.6, 4.4 and 8.4)

The composition of each Committee was reviewed at the time the three new Directors, Dr Craven, Ms Farrier and Mr Sun, were appointed. Further information on each Committee is set out below and elsewhere in this Statement. Additional details in relation to the members of each Committee, as well as the number of times each Committee met during the 2013/14 year and each member’s attendance at those meetings, are set out in the 2014 Directors’ Report. (ASX Recommendations 2.6, 4.4 and 8.4)

The Board is provided with a copy of the minutes of each Committee meeting, together with recommendations, at meetings of the Board. The Chairman of the Board and all Directors may request additional information from the Committees. Each Committee reviews its membership and its charter regularly and makes recommendations for amendments (if any) to the Board.

Nomination Committee	Remuneration Committee	Audit and Risk Management Committee	Compliance Committee	Issuing Committee
The role, responsibilities, composition, structure and membership requirements of the Nomination Committee are set out in the Nomination Committee Charter. (ASX Recommendation 2.4) The members of the Nomination Committee are: • Ng Kee Choe (Chairman); • Ho Tian Yee; • Tony Iannello; • Ian Renard; and • Sun Jianxing. (ASX Recommendation 2.6) AusNet Services has noted the specific commentary and guidance on ASX Recommendation 2.4 that a nomination committee should consist of a majority of independent directors and that the committee be chaired by an independent director. Whilst AusNet Services has not followed this guidance during the 2013/14 year, the Board considered that the composition of the Remuneration Committee during the 2013/14 year was appropriate having regard to the individual expertise of the Directors.	The role, responsibilities, composition, structure and membership requirements of the Remuneration Committee are set out in the Remuneration Committee Charter. (ASX Recommendations 8.1 and 8.2) The members of the Remuneration Committee are: • Ian Renard (Chairman); • Eric Gwee⁵; • Ho Tian Yee; • Tina McMeckan; and • Sun Jianxing. (ASX Recommendation 8.2) AusNet Services has noted ASX Recommendation 8.2, that a remuneration committee should consist of a majority of independent directors. Whilst AusNet Services has not followed this Recommendation during the 2013/14 year, the Board considered that the composition of the Remuneration Committee during the 2013/14 year was appropriate having regard to the individual expertise of the Directors. The Committee will be balanced from the conclusion of the 2014 AGM. The Chairman of the Committee is independent. (ASX Recommendation 8.2)	The role, responsibilities, composition, structure and membership requirements of the Audit and Risk Management Committee are set out in the Audit and Risk Management Committee Charter. (ASX Recommendations 4.1, 4.2 and 4.3) The members of the Audit and Risk Management Committee are: • Tony Iannello (Chairman); • Ralph Craven; • Jeremy Davis⁶; • Sally Farrier; • Eric Gwee⁷; and • Tina McMeckan. (ASX Recommendation 4.4) The members are all Non-executive Directors and the Chairman (who is not the Chairman of the Board) is independent. (ASX Recommendation 4.2) AusNet Services has noted that ASX Recommendation 4.2 includes that an audit committee consist of a majority of independent directors. Whilst AusNet Services has not followed this Recommendation during the 2013/14 year, the Board considered that the composition of the Audit and Risk Management Committee during the 2013/14 year was appropriate having regard to the individual expertise of the Directors. The members are all financially literate and have sufficient knowledge and understanding to allow them to discharge their responsibilities. The Committee will be comprised of a majority of independent Directors from the conclusion of the 2014 AGM.	The role, responsibilities, composition, structure and membership requirements of the Compliance Committee are set out in the Compliance Committee Charter. The members of the Compliance Committee are: • Tina McMeckan (Chairman); • Ralph Craven; and • Sally Farrier. The members are all Non-executive Directors and a majority (including the Chairman) are independent. (Corporations Act sections 601JA and 601JB)	The role, responsibilities, composition, structure and membership requirements of the Issuing Committee are set out in the Issuing Committee Charter. The members of the Issuing Committee are: • Ng Kee Choe (Chairman); • Ho Tian Yee; • Tony Iannello; • Nino Ficca (Managing Director) The Board established an Issuing Committee as a standing committee of the Board in November 2009 to advise the Board on the parameters, amount, price and terms and conditions of AusNet Services re-financing activities.

⁵ Mr Eric Gwee retired with effect from the conclusion of the 2014 AGM.

⁶ Professor Jeremy Davis retired with effect from the conclusion of the 2014 AGM.

⁷ See note 5.

Special Purpose Board Committees

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

The Bushfire Litigation Committee was established to oversee matters relevant to litigation in which AusNet Services is involved arising from the Victorian bushfires of February 2009. This Committee has continued in this role during the 2013/14 year.

Appointment of Directors

The Nomination Committee reviews and makes recommendations to the Board regarding the appointment of new Directors, including establishing formal and transparent procedures for the identification of suitable candidates. The Nomination Committee also makes recommendations regarding the criteria for Board membership, processes for the review of the performance of individual Directors and the Board as a whole, and Board succession plans.

Three new Directors were appointed to the AusNet Services Board during the 2013/14 year. One of these appointments was made to fill the vacancy created by Dr Lefroy's retirement at the 2013 Annual General Meeting and the other two appointments were made following the acquisition by SGID of a 19.9% stake in AusNet Services.

Candidates for appointment to the Board are sought on the basis of their ability to complement the Board's current composition, as well as their independence. In support of their candidature, Non-executive Directors are required to provide details of their other commitments and an indication of the time involved. The Nomination Committee reviews these details prior to the Non-executive Director's appointment, and regularly thereafter, to ensure that the Director has sufficient time to discharge their duties to the Board and the various committees on which they serve.

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

Performance Evaluation

The Board acknowledges the importance of the regular review of its performance and the performance of its Committees against appropriate measures.

The Board undertook a formal evaluation of its performance and the operation of its Committees during the 2013/14 year. The results were presented to the Board in May 2014. (ASX Recommendations 2.5 and 2.6)

The Nomination Committee undertook a formal evaluation of the individual Directors who were due to retire and offer themselves for re-election at the 2014 Annual General Meeting (**AGM**). The results of this evaluation were considered by the Board in determining whether to support the re-election of these Directors.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Business Conduct

AusNet Services is committed to acting ethically and responsibly in all of its business dealings.

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

The Code of Business Conduct may be found in the "Corporate Governance" section of AusNet Services' website. (ASX Recommendations 3.1 and 3.5)

Specifically, the Code of Business Conduct requires that AusNet Services' business be conducted:

- in accordance with good corporate governance standards;
- for the purpose of delivering securityholder value in a responsible way;
- to maintain confidence in AusNet Services' integrity and to ensure that it is an organisation that people can trust;
- to maintain the highest ethical standards by fostering the responsibility and accountability of individuals within AusNet Services for reporting and investigating reports of unethical practices;
- to ensure compliance with AusNet Services' legal and other obligations in respect of its key stakeholders, to ensure that AusNet Services is dedicated to the broader community and to ensure its role in the community is honest, legal and ethical; and
- in accordance with AusNet Services' core values.

The Code of Business Conduct specifically addresses conflicts of interests, business gifts and entertainment, improper use of AusNet Services property and assets, dealing with government officials and related parties, political activities and reporting unlawful and unethical behaviour.

Whistleblower Policy

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

The Whistleblower Policy may be found in the "Corporate Governance" section of AusNet Services' website.

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

Responsible Entity's Conflicts of Interest

The Responsible Entity has established a Conflicts of Interest Policy to ensure that adequate arrangements are in place for the management of conflicts between its own interests and those of its clients as a financial services licensee. The policy is designed to raise awareness of AusNet Services' expectations and requirements in relation to conflicts and to further promote AusNet Services' culture of compliance.

Diversity Policy

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

AusNet Services has an established Diversity Policy which outlines AusNet Services' commitment to diversity and its objectives to increase diversity in the workplace. The Diversity Policy may be found in the "Corporate Governance" section of AusNet Services' website. (ASX Recommendation 3.2) AusNet Services' Diversity Policy contains measurable objectives for gender diversity, including:

- the review of remuneration, recruitment and selection practices to ensure they are free from gender bias;
- the identification of high potential women throughout all areas and levels of operations and business practice groups through AusNet Services' Talent Management process; and
- a year-on-year increase in the percentage of women in leadership and engineering/technical positions, achieved through the enhancement and promotion of development initiatives to support high potential women and a focus on attracting women in external recruitment practices and employment branding.

AusNet Services' progress towards achieving these objectives is set out below. (ASX Recommendation 3.3)

Gender Diversity Objectives 2013/14	Progress Achieved 2013/14
a) Executive Leadership Team (ELT) to establish and operate a Diversity Council to lead diversity improvement across the business.	• The ELT Talent, Diversity and Inclusion Council has met quarterly to discuss and monitor progress related to a range of talent, diversity and inclusion initiatives. Quarterly forums have also been replicated at a divisional level.
b) Embed both organisation-wide and divisionally-specific gender diversity improvement initiatives as part of business planning processes.	• Improved diverse composition of recruitment applications through requiring at least one viable female candidate in each external recruitment shortlist and non-adherence on an 'if no, why not' basis. • Women's Career Development Program delivered to 20 female employees in early talent pipeline • Five mid-senior leadership employees sponsored to participate in the Chief Executive Women's (CEW) Leadership development program. • Two positions targeted toward female candidates within the 13/14 intake of Apprentices and Trainees. • Mentoring and coaching initiatives delivered to support emerging and high potential women.
c) AusNet Services continues to build a culture of inclusion that supports all employees to contribute and achieve their potential. During 13/14, the Company will commence the roll-out of diversity and inclusion training to all leaders and employees.	• 350 people leaders across all AusNet Services locations participated in Inclusive Leadership training.
d) Embed diversity initiatives within	• The business has improved capability within the in-

Gender Diversity Objectives 2013/14	Progress Achieved 2013/14
the company's broader talent management processes to support the development of all talent, and with an aim to achieve a year-on-year increase the representation of females in management, technical and professional occupations.	house recruitment function with a heightened focus on talent mapping, gender diverse selection methods and proactive sourcing. • The annual talent and succession review process continued to raise visibility of female talent throughout all levels of our talent pipeline. • Females represent 30% of AusNet Services' talent pool, largely within the Business Support, Professional Services and Operational Leader occupational groups. • A deep dive on female talent has initiated an ELT focus throughout 14/15 to proactively target career development opportunities for our female talent pool. • Females comprised 30% of total annual internal movements (promotions and transfers into new or secondment roles). • Female graduates comprised 25% of Feb 14 Graduate intake. • Females represented 33% of participants selected for the 13/14 Engineering Vacation Program.
e) Continue to nurture partnerships and sponsorships through AusNet Services' external sponsorship portfolio, to promote trade, technical and power engineering professions to young women.	• Partnerships fostered with - Deakin University to support their Open Learning Curriculum. - The Beacon Foundation aimed at mentoring regional young women and men to stay at secondary school beyond year 10 and to encourage their consideration of AusNet Services as their career future. - The Victorian Energy Education and Training Project (VEET), offering trade-focused young men and women in the East Gippsland region exposure to the energy industry. - RMIT for Electrical Engineering Bursary program for third year students.
f) Review exit interview processes and conduct a deep dive review on reasons for voluntary turnover of all employees, including female employees, to identify any systemic reasons for turnover	• A deep dive review of talent entry and exit trends was commenced and completed in mid-2014.
g) Review remuneration processes annually for gender bias with a specific analysis of all occupational groupings where a gender pay gap of $\geq 10\%$ exists.	• A review of remuneration data found no significant differences between male and females of comparable work value, skill and experience. • An executive-led calibration exercise was undertaken as part of the 12/13 annual performance and fixed pay

Gender Diversity Objectives 2013/14	Progress Achieved 2013/14
	review to identify and address, where appropriate, any gender-related differentials prior to final recommendations being approved. This will be replicated as part of the 13/14 FAR review. All women on maternity leave received the standard % increase in their Apr 13 Fixed Annual Review (FAR). This approach will be replicated as part of the 13/14 FAR review.
h) Continue to support employees seeking flexible work arrangements to balance work and family responsibilities.	14.9% of the total female workforce employed in part-time arrangements, a 0.4% increase on last year. - A range of strategies across all divisions continue to facilitate flexible work options to assist employees balance work and family commitments.

AusNet Services' Corporate Business Plan also contains objectives related to diversity. These include:

- the achievement of effective talent management by successfully sourcing and retaining the best talent to ensure that we can achieve our current and future objectives;
- the achievement of higher levels of creativity, innovation and knowledge sharing through different perspectives and solutions; and
- an improved understanding of, and ability to meet, customer and stakeholder needs by being more representative of the demographics reflected within the community in which AusNet Services operates. (ASX Recommendation 3.3)

There are two women, Tina McMeckan and Sally Farrier, on AusNet Services' Board. Three members of AusNet Services' Executive Leadership Team – which comprises 10 members including the Managing Director – are women. As at 31 March 2014, women employed by AusNet Services as permanent employees (whether full-time or part-time) comprised 20% of its total workforce. (ASX Recommendation 3.4)

Source of Impact	Gender Diversity Objectives 2014/15
1. Executive Leadership Ownership and Commitment for Diversity	a) Executive and Divisional Leadership Teams to continue to operate as Talent, Diversity and Inclusion Councils to lead improved talent and diversity outcomes across the business. b) Embed organisation-wide and divisionally-specific gender diversity improvement initiatives as part of business planning processes.
2. Leadership Culture and Inclusion	c) AusNet Services continues to build an inclusive leadership mindset that supports all employees to contribute and achieve their potential. During FY15, the Company will implement strategies to reinforce inclusive leadership behaviours and embed inclusive people practices across the organisation through ongoing sourcing, development, talent management, leadership and engagement initiatives.

Source of Impact	Gender Diversity Objectives 2014/15
3. Enablers to Attract, Develop and Retain Diverse Talent	d) Embed diversity initiatives within the company's broader talent management processes to support the development of all talent, and with an aim to achieve a year-on-year increase the representation of females in operational and frontline leadership, engineering and entry level trade and technical occupations. e) Review and strengthen the Company's Sponsorships, Donations and Partnership programs to promote trade, technical and power engineering professions to young women. f) Continue to review remuneration practices for gender pay differentials. g) Continue to support employees seeking flexible work arrangements to balance work and family responsibilities.

Dealing in Securities

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

The Guidelines for Dealing in Securities may be found in the "Corporate Governance" section of AusNet Services' website.

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

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

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

Audit and Risk Management Committee

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

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

- reviewing the appropriateness of accounting principles adopted by AusNet Services in the composition and presentation of financial reports and approving all significant accounting policy changes;

- reviewing the adequacy and effectiveness of AusNet Services' risk management, internal compliance and control systems and the process and evidence adopted by the Managing Director and the Chief Financial Officer to satisfy themselves of these factors;
- reviewing related party transactions (other than those relevant only to the Responsible Entity, which are referred to the Compliance Committee);
- reviewing the legal and regulatory matters that are brought to its attention by the internal and external auditor; and
- overseeing the conduct and scope of the external and internal audit functions, including making recommendations to the Board on the appointment, performance, remuneration and replacement of the external or internal auditors.

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

Compliance Committee

The objective of the Compliance Committee is to support and advise the Board on compliance matters relevant to AusNet Services Finance Trust and the Responsible Entity.

The Compliance Committee's functions include:

- monitoring the extent to which the Responsible Entity complies with its compliance plan and the constitution of AusNet Services Finance Trust and reporting the Committee's findings to the Board;
- reporting to the Board any notifiable breaches of the Corporations Act and any breaches of the Australian Financial Services Licence held by the Responsible Entity;
- reviewing related party transactions relevant to the Responsible Entity;
- recommending to the Board the appointment or re-appointment of the compliance plan auditors and determining the terms of their appointment; and
- regularly assessing the compliance plan and recommending to the Board any changes required.

As required by the Australian Financial Services Licence, the Compliance Committee has also established a complaints handling process and receives reports on that process.

Declaration by the Managing Director and the Chief Financial Officer

The Managing Director and the Chief Financial Officer provide to the Board a written declaration, in accordance with section 295A of the Corporations Act, that the financial reports for AusNet Services, and the individual entities comprising AusNet Services, are complete and present a true and fair view of AusNet Services' financial position and performance in accordance with the relevant accounting standards.

The Board has received the Managing Director's and the Chief Financial Officer's declaration in respect of the financial reports for the financial year ended 31 March 2014.

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

External Auditor Independence

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

The Audit and Risk Management Committee has approved an Auditor Independence Policy which is intended to maintain the independence of AusNet Services' external auditor by regulating the provision of non-audit services by the external auditor.

The Auditor Independence Policy may be found in the "Corporate Governance" section of AusNet Services' website (as an attachment to the Audit and Risk Management Committee Charter).

The Auditor Independence Policy requires that the provision of a permissible non-audit service by the external auditor be pre-approved by the Chief Financial Officer or the Managing Director (up to a limit of \$100,000 in aggregate at any time) or the Chairman of the Audit and Risk Management Committee. The Chief Financial Officer provides a quarterly report to the Audit and Risk Management Committee which describes any non-audit services provided by the external auditor since the last report.

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

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

The present external auditor for AusNet Services is KPMG. KPMG is also the external auditor for Singapore Power Limited. The Board considers that KPMG's similar role for Singapore Power Limited does not affect KPMG's independence, and accordingly, the appointment of KPMG to the role of external auditor for AusNet Services is considered appropriate.

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure

AusNet Services has developed a Continuous Disclosure Policy that sets out its practice in relation to continuous disclosure. The Continuous Disclosure Policy is subject to periodic review and has most recently been reviewed in May 2014. The Continuous Disclosure Policy may be found in the "Corporate Governance" section of AusNet Services' website. (ASX Recommendations 5.1 and 5.2)

The Continuous Disclosure Policy records and communicates AusNet Services' commitment to continuous disclosure and establishes a best practice procedure relating to compliance with continuous disclosure obligations. The Policy identifies material price-sensitive information, requires the reporting of such information to the Company Secretary for review and ensures that AusNet Services and individual officers are aware of the penalties for contravening relevant legislative provisions and ASX Listing Rules.

The Company Secretary is primarily responsible for the management of the Continuous Disclosure Policy and for all communications with the ASX and SGX-ST in relation to continuous disclosure issues. However, no announcements are made to the ASX and SGX-ST without the prior approval of the Board or the Managing Director (or his delegate).

All material disclosed to the ASX and SGX-ST is published on AusNet Services' website.

The Audit and Risk Management Committee considers potential continuous disclosure issues at each of its meetings. The Audit and Risk Management Committee gives particular attention to emerging and changing circumstances with a view to determining whether any disclosures are required in respect of those matters.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS

Communications

AusNet Services has developed an integrated securityholder communications approach to assist with communicating information to the market in a timely and efficient manner. A copy of this approach may be found on AusNet Services' website. (ASX Recommendations 6.1 and 6.2)

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

AusNet Services encourages securityholders to attend AusNet Services' Annual General Meeting to meet the Directors and management and to ask questions. AusNet Services' 2014 Annual General Meeting will be web-cast in order to improve access for securityholders unable to be physically present at the meeting. The full text of notices of meeting and explanatory material will be published on AusNet Services' website. (ASX Recommendation 6.1)

AusNet Services' external auditor, KPMG, is required to attend the Annual General Meeting. Securityholders will be given a reasonable opportunity to ask questions of the external auditor or its representative concerning the conduct of the audit and the preparation and content of the auditor's report.

AusNet Services holds investor relations events in Singapore each year to provide Singapore-based investors with the opportunity to meet and ask questions of AusNet Services' management team, particularly following the release of the annual financial results.

In addition, AusNet Services convenes regular Stakeholder Consultative Committee meetings and Regional Forums to canvass opinions from subject matter experts and the community on aspects of AusNet Services' business activities that impact consumers, the environment and commercial relationships.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management and Internal Controls

AusNet Services is committed to understanding and effectively managing risk to provide greater certainty and confidence for its securityholders, employees, customers, suppliers and the communities in which it operates. Finding the right balance between risk and reward enhances its profitability and business performance, and minimises future exposures.

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

The Audit and Risk Management Committee assists the Board in discharging these responsibilities. (ASX Recommendation 7.1) The Committee has oversight of the adequacy and effectiveness of AusNet Services' risk management, including the establishment and maintenance of risk identification and management processes and the review of AusNet Services' assessment of material business risks (financial and non-financial).

The Managing Director is accountable to the Audit and Risk Management Committee and the Board for the implementation of risk management processes in line with good corporate governance.

Risks faced by AusNet Services are managed on an enterprise-wide basis and are identified, analysed, evaluated and prioritised in a consistent manner utilising common systems and methodologies. Management and employees are responsible for embedding risk management in AusNet Services' core business activities, functions and processes. Risk awareness and tolerance for risk are key considerations in AusNet Services' decision making. AusNet Services uses its risk management capabilities to maximise the value from its assets, projects and other business opportunities and to assist in encouraging excellence, innovation and optimisation.

During the 2013/14 period, management has reported to the Board on the effectiveness of AusNet Services' management of its material business risks. (ASX Recommendation 7.2) The Board satisfied itself that management had designed and implemented a risk management and internal control system to manage the company's material business risks and to report to it on whether those risks were being managed effectively. The Board received a report during 2013/14 that consolidated the presentations to the Audit and Risk Management Committee and outlined material business risks, changes to the risk profile and the key activities involved in embedding an effective risk management culture.

AusNet Services' Risk Management Policy may be found in the "Corporate Governance" section of AusNet Services' website. (ASX Recommendations 7.1 and 7.4)

Assurance by the Managing Director and the Chief Financial Officer

The Managing Director and the Chief Financial Officer provide a written statement to the Board that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on sound systems of risk management and internal compliance and control which implement the policies of the Board; and
- the systems of risk management and internal compliance and control are operating efficiently and effectively in all material respects in relation to financial reporting risks. (ASX Recommendation 7.3)

The Board has received the Managing Director's and the Chief Financial Officer's written assurance on financial reporting risks in respect of the 2013/14 financial year.

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Policies

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

AusNet Services' remuneration policies in relation to its Directors and key executives are set out in the Directors' Report. Details of the nature and amount of remuneration paid to each Director and key senior executives (and their link to corporate performance) are also set out in the Directors' Report. (ASX Recommendations 8.3 and 8.4)

Role of Nomination Committee and Remuneration Committee

The Nomination Committee advises the Board on matters relating to the appointment and performance of Directors and of the Board as a whole, review of Board and Committee membership and performance, and Board succession planning.

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

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

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

Executive Remuneration

SPI Management Services is a wholly-owned subsidiary of SPI. SPI Management Services entered into a management services agreement with AusNet Services Transmission and AusNet Services Distribution in November 2005 and, separately, with the Responsible Entity in November 2005.

However, with effect from 31 March 2014, a deed giving effect to the termination of the MSA and RE MSA was negotiated on behalf of AusNet Services by a committee of independent Directors of AusNet Services. All members of the Board of AusNet Services (other than those associated with Singapore Power) unanimously agreed with the terms of the Termination Deed.

During the 2013/14 year, SPI Management Services provided the services of the executive leadership team of AusNet Services, including the Managing Director. The remuneration and incentive package for the Managing Director and other senior executives (including the Company Secretary) were determined and paid by SPI Management Services. SPI Management Services considered recommendations made by the AusNet Services Board in relation to remuneration, incentive payments and programs, and key performance measures in respect of senior executives which promoted alignment of 'owner-management' interests.

The Remuneration Committee reviewed any reports provided by SPI Management Services relating to the remuneration, incentive payments and programs, and key performance measures for the Managing Director and other senior executives and made recommendations to the Board. In this regard, AusNet Services aims to ensure that the remuneration of its Managing Director and other senior executives is market competitive, consistent with best practice and supportive of the interests of securityholders.

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

- base salary;
- short-term performance-based cash bonuses; and
- long-term performance-based incentives pursuant to a long-term incentive plan.

The AusNet Services long-term incentive plan was implemented for executives in the 2007/2008 reporting period, as is common in the market place, to attract and retain staff that are important to the creation of long-term value for securityholders.

Details of the remuneration paid to the Managing Director and key management personnel are set out in the Remuneration Report at pages 61-63 of the Directors' Report for AusNet Services Distribution Limited.

Non-executive Director Remuneration

The remuneration policy for Non-executive Directors and the amount of remuneration paid to Non-executive Directors is discussed in detail in the Remuneration Report at pages 53-54 and page 60, respectively of the Directors' Report for AusNet Services Distribution. Non-executive Directors are not provided with any form of retirement benefits (other than superannuation) or equity-based compensation. (ASX Recommendations 8.3 and 8.4)

The remuneration of Non-executive Directors is not linked to AusNet Services' performance in order to maintain their independence and impartiality.

In setting fee levels, the Remuneration Committee takes into account:

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

RELATIONSHIP WITH SPI MANAGEMENT SERVICES

In 2005, AusNet Services Transmission and AusNet Services Distribution engaged SPI Management Services, pursuant to a management services agreement ("MSA"), to provide management and administration services and to manage the electricity transmission network, the electricity and gas distribution networks and other businesses on AusNet Services' behalf.

The Responsible Entity entered into a separate management services agreement ("RE MSA") with SPI Management Services to provide management and administrative services in respect of AusNet Services Finance Trust.

SPI Management Services consulted with and sought advice from Singapore Power Limited and its subsidiaries from time to time in the performance of its work under both the MSA and RE MSA. The term of the MSA and the RE MSA was for an initial period of ten years commencing on 1 October 2005. However, the parties to the MSA and RE MSA agreed to terminate those agreements with effect from 31 March 2014.

The following information is provided in relation to the operation of the MSA during the period to which this report relates (2013/14 year).

In accordance with the MSA, AusNet Services paid SPI Management Services a Management Fee comprising a Management Services Charge and a Performance Fee in respect of the 2013/14 financial year. The Management Services Charge was to compensate SPI Management Services for expenses relating to all remuneration and other employment entitlements and benefits of the employees of SPI Management Services who provided services to AusNet Services. The Performance Fee was to incentivise SPI Management Services to meet or better the non-financial and financial performance of AusNet Services and to align the interests of SPI Management Services with those of AusNet Services.

SPI Management Services also received a fixed management fee from the Responsible Entity for the provision of its services pursuant to the RE MSA. Further information in relation to the management and performance fees of the Responsible Entity can be found at page 134 of the Annual Report for AusNet Services Distribution.

During the 2013/14 financial year SPI Management Services had in place a Conflicts of Interest and Related Party Protocol which set out the proposed practice for dealing with:

- conflicts between the duties of officers of AusNet Services to AusNet Services and their employment duties to SPI Management Services;
- conflicts between AusNet Services' interests in operating the business and the interests of SPI Management Services as a wholly owned subsidiary of Singapore Power Limited; and
- issues arising from any actual or proposed provision of a financial benefit, by AusNet Services, to a related party.

The Audit and Risk Management Committee and the Compliance Committee regularly reviewed the performance of SPI Management Services and the fee structure under the MSA and RE MSA respectively.

AusNet Services