IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED BELOW) OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Offering Circular included in this electronic distribution ("**Offering Circular**"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any amendments or supplements to the Offering Circular or other information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORISED TO, AND YOU MAY NOT, FORWARD OR DELIVER THE OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE THE OFFERING CIRCULAR IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, THE OFFERING CIRCULAR MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED AND PROHIBITED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR.

Confirmation of Your Representation: You will only access the Offering Circular on the basis that you have confirmed to Ausgrid Finance Pty Limited (the "**Issuer**"), the Guarantors (as defined in the Offering Circular), BNP Paribas (the "**Arranger**") and the Dealers (as defined in the Offering Circular) that (a) you and any customers you represent are non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (b) you consent to the delivery of the attached Offering Circular, any amendments or supplements to the Offering Circular and other information as a result of accessing the Offering Circular, by electronic transmission.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted in electronic form may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantors, the Arranger, the Dealers, the Trustee (as defined in the Offering Circular), the Agents (as defined in the Offering Circular) nor any of their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls the Issuer, a Guarantor, the Arranger, a Dealer, the Trustee, an Agent or their respective affiliates accept any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to deliver this Offering Circular, electronically or otherwise, to any other person.

Actions That You May Not Take: If you receive the Offering Circular by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering under the secured euro medium term note programme described in the Offering Circular be made by a licensed broker or dealer and any of the Dealer(s) or any affiliate of the Dealer(s) is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by such Dealer(s) or such affiliate on behalf of the Issuer in such jurisdiction.

You are responsible for protecting against viruses and other destructive items. Your use of any form of electronic distribution is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Offering Circular dated 28 September 2023

Ausgrid Finance Pty Limited

(incorporated with limited liability in Australia with ACN 615 343 005)

U.S.$3,000,000,000

Secured Euro Medium Term Note Programme

Fully and unconditionally guaranteed on a joint and several basis by the Initial Guarantors (as defined herein)

Under the Secured Euro Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Ausgrid Finance Pty Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Secured Euro Medium Term Notes guaranteed pursuant to the terms of the guarantee (the "**Guarantee**") contained in the Trust Deed (as defined below) by the Initial Guarantors (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$3,000,000,000 (or the equivalent in other currencies). The Notes will be constituted by an amended and restated trust deed dated 28 September 2023 between the Issuer, the Initial Guarantors and The Bank of New York Mellon, London Branch (the "**Trustee**") (the "**Trust Deed**"). From time to time and in accordance with the terms of the Trust Deed additional entities may be appointed as additional guarantors (each such entity, an "**Additional Guarantor**") or a Guarantor may be released from the Guarantee and shall cease to be a Guarantor. The Initial Guarantors, together with any Additional Guarantors but excluding any such released Guarantors, are referred to herein as the "**Guarantors**". The obligations of the Issuer under the Notes and the Trust Deed are secured pursuant to the Security Documents, the Intercreditor Deed and the Security Trust Deed (each as defined herein).

The Notes may be issued on a continuing basis to the Dealer specified under "*Overview of the Programme*" and/or any one or more additional Dealers appointed from time to time by the Issuer (each a "**Dealer**" and, together, the "**Dealers**"), which appointment may be for a specific issue or on an on-going basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the official list of the SGX-ST (the "**Official List**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. There is no assurance that the application to the SGX-ST for the listing of the Notes will be approved. Admission to the Official List and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantors, the Programme and/or the Notes. Notes may also be listed and/or admitted to trading or quotation on or by a stock exchange, listing authority or quotation system other than the SGX-ST. Unlisted Notes may also be issued pursuant to the Programme. The applicable Pricing Supplement (as defined in "*Terms and Conditions of the Notes*") in respect of the issue of any Notes will specify whether such Notes will be listed (and, if so, on which stock exchanges the Notes are to be listed) or unlisted. The Pricing Supplement for any Notes to be admitted to the Official List will be delivered to the SGX-ST on or before the date of issue of such Notes. The Notes must be traded in a minimum board lot size of S$200,000 (or its equivalent in another currency) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating assigned to other Notes or to any Obligor (as defined below). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") or the securities laws of any State of the United States or any other jurisdiction. The Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**") (see "*Subscription and Sale*").

Each Series (as defined in "*Overview of the Programme – Method of Issue*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Global Notes and Certificates may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") (the "**Common Depositary**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

Arranger and Dealer

BNP PARIBAS

IMPORTANT NOTICE

Responsibility

Each of the Issuer and the Guarantors accepts responsibility for the information contained or incorporated by reference in this Offering Circular relating to itself and the Guarantee. To the best of the knowledge of the Issuer and the Guarantors, having taken all reasonable care to ensure that such is the case, this Offering Circular contains or incorporates all information with respect to the Group (as defined below) (taken as a whole), the Notes and the Guarantee that are material in the context of the issue and offering of the Notes, the statements contained in it for which it accepts responsibility are true and accurate in all material respects and are not misleading in any material respect, the opinions and intentions expressed by it in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Group (taken as a whole), the Notes or the Guarantee, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect.

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

The SGX-ST takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the relevant Dealers, as the case may be. This Offering Circular and any other documents or materials in relation to the issue, offering or sale of the Notes have been prepared solely for the purpose of the initial sale by the relevant Dealers of the Notes from time to time to be issued pursuant to the Programme.

No independent verification

The information contained in this Offering Circular was obtained from the Issuer and Guarantors and no assurance can be given by the Arranger, a Dealer, the Trustee or any of The Bank of New York Mellon, London Branch (as issuing and paying agent and (if specified in the applicable Pricing Supplement) calculation agent) and The Bank of New York Mellon SA/NV, Luxembourg Branch (as transfer agent and registrar for Registered Notes) (each an "**Agent**") as to the accuracy or completeness of this information. None of the Arranger, any Dealer, the Trustee or the Agents has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, a Dealer, the Trustee or an Agent as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Obligors (or any of them) in connection with the Programme.

No authorisation

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors or any of the Dealers, the Arranger, the Trustee or any of the Agents.

Currency of information

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes, shall in any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantors or the Group or that there has been no adverse change in the financial position of the Issuer, the Guarantors or the Group since the date of this Offering Circular or that the information contained in this Offering Circular is correct at any time subsequent to its date. None of the Arranger, the Dealers, the Trustee or the Agents undertakes to review the financial condition or affairs of any of the Issuer, the Guarantors or the Group during the life of the Programme, or to advise any recipient of this Offering Circular or any information concerning the financial condition or affairs of any of the Issuer, the Guarantors or the Group coming to their attention.

No offer

This Offering Circular is not intended to constitute, nor constitutes, an offer or invitation by or on behalf of any of the Issuer, the Guarantors, the Arranger, a Dealer, the Trustee or an Agent to any person to subscribe for, purchase or otherwise deal in any Notes.

Distribution restrictions

THIS OFFERING CIRCULAR IS NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantors, the Dealers, the Arranger, the Trustee and the Agents to inform themselves about and to observe any such restriction. None of the Issuer, the Guarantors, the Arranger, the Dealers, the Trustee or the Agents represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken or shall be taken by the Issuer, the Guarantors, the Arranger, the Dealers, the Trustee or the Agents which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations of such jurisdictions. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Australia, Canada, Japan, and, Singapore, see "*Subscription and Sale*".

This Offering Circular has been prepared on the basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area (the "**EEA**") (each, a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by the relevant Pricing Supplement in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or (ii) to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. Further, neither the Issuer nor the Dealers have authorised, nor do they authorise, the making of any offer of Notes through any financial intermediary, other than offers made by the Dealers which constitute the final placement of Notes contemplated in this Offering Circular. This Offering Circular does not constitute a prospectus for the purposes of the Prospectus Regulation. The Issuer is not offering the Notes in any jurisdiction in circumstances that would require a prospectus to be prepared pursuant to the Prospectus Regulation.

This Offering Circular has been prepared on the basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation**") to publish a prospectus. As a result, any offer of Notes in the United Kingdom (the "**UK**") will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by the relevant Pricing Supplement in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or (ii) to supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. Further, neither the Issuer nor the Dealers have authorised, nor do they authorise, the making of any offer of Notes through any financial intermediary, other than offers made by the Dealers which constitute the final placement of Notes contemplated in this Offering Circular. This Offering Circular does not constitute a prospectus for the purposes of the UK Prospectus Regulation. The Issuer is not offering the Notes in any jurisdiction in circumstances that would require a prospectus to be prepared pursuant to the UK Prospectus Regulation.

This Offering Circular is not, and is not intended to be, a prospectus or disclosure document within the meaning of Section 9 of the Corporations Act 2001 of the Commonwealth of Australia (the "**Corporations Act**") or a Product Disclosure Statement for the purposes of Chapter 7 of the Corporations Act. This Offering Circular has not been, and will not be, and no prospectus or other disclosure document in relation to the Programme or the Notes has been or will be, lodged or registered with the Australian Securities and Investments Commission or any other regulatory authority in Australia and this Offering Circular is not, and does not purport to be, a document containing disclosure to investors for the purposes of Part 6D.2 or Part 7.9 of the Corporations Act. It is not intended to be used in connection with any offer for which such disclosure is required and does not contain all the information that would be required by those provisions if they applied. It is not to be provided to any "retail client" as defined in section 761G of the Corporations Act. None

of the Issuer or the Guarantors is licensed to provide financial product advice in respect of the Notes, the Guarantee or the Existing Guarantee. Cooling-off rights do not apply to the acquisition of the Notes.

This Offering Circular is not and has not been registered for distribution as a prospectus under applicable laws in Canada or any province or territory thereof. The Offering Circular may not be distributed and the Notes referred to therein may not be offered or sold to, or for the benefit of, residents of Canada except to purchasers purchasing, or deemed to be purchasing, as principal which are both accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and permitted clients, as defined in National Instrument 31-103 Registration *Requirements, Exemptions and Ongoing Registrant Obligations*. Any Canadian purchaser of Notes shall be deemed to have confirmed that it is aware that (a) any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws and (b) securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment hereto) or any Pricing Supplement contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory and that such Canadian purchaser will refer to applicable provisions of the securities legislation of such purchaser's province or territory for particulars of these rights or consult with a legal advisor. Each Canadian purchaser also confirms that it will be deemed to have expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only (*par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement*).

To the fullest extent permitted by law, none of the Dealers, the Arranger, the Trustee or the Agents accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer, the Guarantors, or the issue and offering of the Notes. The Arranger, each Dealer, the Trustee and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantors, the Arranger, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer or the Guarantors during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers, the Arranger, the Trustee or the Agents.

Stabilisation

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES (OTHER IN CIRCUMSTANCES WHERE SUCH ACTION COULD REASONABLY BE EXPECTED TO AFFECT THE PRICE OF NOTES OR OTHER SECURITIES TRADED IN AUSTRALIA OR ON A FINANCIAL MARKET (AS DEFINED IN THE CORPORATIONS ACT) OPERATED IN AUSTRALIA), THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT

TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION OR OVER-ALLOTMENT MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END AFTER A LIMITED PERIOD. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (UK) (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II Product Governance/Target Market

The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR Product Governance/Target Market

The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers (in each case, in such capacity) nor any of their respective affiliates (who may be acting in such a capacity) will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Notification under Section 309B(1)(C) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore

In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (as modified or amended from time to time, the "**Securities and Futures Act**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified in the relevant Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the Securities and Futures Act), that all Notes issued or to be issued under the Programme are classified as 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Important Notice To Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme (each such offering, a "**CMI Offering**"), including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuer, the relevant Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the relevant Guarantor, or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate (where applicable) will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors prior to the launch of an offering. If a prospective investor is an asset management arm affiliated with any Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the relevant Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

No representation

From time to time, in the ordinary course of business, certain of the Dealers, the Arranger and their respective affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Issuer, the Guarantors and their respective affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers, the Arranger and their respective affiliates will continue to provide such services to, and enter into such transactions, with the Issuer, the Guarantors and their respective affiliates in the future.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

None of the Issuer, the Guarantors, the Arranger, the Dealers, the Trustee or the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the relevant Dealers or the Managers, as the case may be.

Credit Ratings

There are references in this Offering Circular to "credit ratings". A credit rating is not a recommendation to buy, sell or hold securities such as the Notes and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation. Each rating should be evaluated independently of any other rating.

Credit ratings are for distribution only to a person:

- who is not a "retail client" within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act; and

- who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located.

Anyone who is not such a person is not entitled to receive this Offering Circular and anyone who receives this Offering Circular must not distribute it to any person who is not entitled to receive it.

CERTAIN DEFINITIONS

All references in this document to "**U.S. dollars**", "**US$**" and "**$**" refer to the lawful currency of the United States of America, all references to "**S$**" refer to the lawful currency of Singapore, all references to "**Sterling**" and "**£**" refer to the lawful currency of the United Kingdom and all references to "**Australian dollars**" and "**A$**" refer to the lawful currency of the Commonwealth of Australia. All references to euro and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

All references in this document to "**Group**" or "**Ausgrid Group**" refer to the Issuer, the Guarantors, and all of their respective subsidiaries, on a consolidated basis.

Unless the context otherwise requires, "**we**", "**us**", "**our**", the "**Issuer**" and "**Ausgrid**" refer to the Group, the Predecessor and/or the Successor (each as defined below), as relevant.

Rounding adjustments have been made in calculating some of the financial information included in the Offering Circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

In addition, in this document, the following definitions apply unless otherwise specified or the context otherwise requires:

AAP	Ausgrid Asset Partnership, a partnership under the laws of NSW, Australia, consisting of ERIC Alpha Asset Corporation 1 Pty Limited (ACN 612 974 044) in its capacity as trustee of the ERIC Alpha Asset Trust 1, ERIC Alpha Asset Corporation 2 Pty Limited (ACN 612 975 023) in its capacity as trustee of the ERIC Alpha Asset Trust 2, ERIC Alpha Asset Corporation 3 Pty Limited (ACN 612 975 032) in its capacity as trustee of the ERIC Alpha Asset Trust 3, ERIC Alpha Asset Corporation 4 Pty Limited (ACN 612 975 078) in its capacity as trustee of the ERIC Alpha Asset Trust 4 and Blue Asset Partner Pty Limited (ACN 615 217 493) in its capacity as trustee of the Blue Asset Partner Trust
AAP Partnership Deed	The partnership deed dated 20 October 2016 pursuant to which AAP was formed, as amended or amended and restated from time to time
AAS	Australian Accounting Standards
ACS	Alternative Control Services
ACT	Australian Capital Territory
ACSC	Australian Cyber Security Centre
ADMHC	Alpha Distribution Ministerial Holding Company (ABN 67 505 337 385), a Ministerial Holding Corporation within the meaning of Clause 6 of Schedule 7 of the Australian *Electricity Network Assets (Authorised Transactions) Act 2015* (NSW)
AEMO	Australian Energy Market Operator

AER	Australian Energy Regulator
AMS	Asset Management System
ANS	Ancillary Network Services
AOP	Ausgrid Operator Partnership, a partnership under the laws of NSW, Australia, consisting of ERIC Alpha Operator Corporation 1 Pty Limited (ACN 612 975 096) in its capacity as trustee of the ERIC Alpha Operator Trust 1, ERIC Alpha Operator Corporation 2 Pty Limited (ACN 612 975 121) in its capacity as trustee of the ERIC Alpha Operator Trust 2, ERIC Alpha Operator Corporation 3 Pty Limited (ACN 612 975 185) in its capacity as trustee of the ERIC Alpha Operator Trust 3, ERIC Alpha Operator Corporation 4 Pty Limited (ACN 612 975 210) in its capacity as trustee of the ERIC Alpha Operator Trust 4 and Blue Op Partner Pty Limited (ACN 615 217 500) in its capacity as trustee of the Blue Op Partner Trust
AOP Partnership Deed	The partnership deed dated 20 October 2016 pursuant to which AOP was formed, as amended or amended and restated from time to time
APP	Aurora Property Partnership, a partnership under the laws of NSW, Australia, consisting of ERIC Alpha APP Corporation 1 Pty Ltd (ACN 664 207 907) in its capacity as trustee of the ERIC Alpha APP Trust 1, ERIC Alpha APP Corporation 2 Pty Ltd (ACN 664 208 066) in its capacity as trustee of the ERIC Alpha Operator Trust 2, ERIC Alpha APP Corporation 3 Pty Ltd (ACN 664 208 315) in its capacity as trustee of the ERIC Alpha APP Trust 3, ERIC Alpha APP Corporation 4 Pty Ltd (ACN 664 208 404) in its capacity as trustee of the ERIC Alpha APP Trust 4 and Blue Aurora Partner Pty Ltd (ACN 664 591 388) in its capacity as trustee of the Blue Aurora Partner Trust
APP Partnership Deed	The partnership deed dated 27 April 2023 pursuant to which APP was formed, as amended or amended and restated from time to time
ASP	Accredited service provider
Ausgrid Enterprise Agreement 2021	The enterprise agreement negotiated with our employees and their union representatives and approved by the Fair Work Commission in late 2021, and has a nominal expiry date of 1 July 2024
BESS	Battery Energy Storage Systems
CBD	Central Business District
CESS	Capital Expenditure Sharing Scheme
CFADS	Cash Flow Available for Debt Service

CFCR	Cash flow coverage ratio
COVID-19	Coronavirus disease 2019
CPI	Consumer Price Index
CRM	Customer Relationship Management
CSIS	Customer Service Incentive Scheme
DCS	Direct Control Services
DER	Distributed energy resources
Distributor's Licence	The distribution licence issued to us by the State of NSW for the operation of electricity transmission and distribution systems in NSW, which came into effect on 1 December 2016
Distribution Network Lease	The 99-year lease that effected our privatisation, under which our network infrastructure and certain other assets are leased by the State of NSW, through ADMHC to AAP
DNSP	Distribution Network Service Provider
EBITDA	Earnings before interest, tax, depreciation and amortization (net of depreciation reclassification)
EBSS	Efficiency Benefit Sharing Scheme
ECMC	Energy and Climate Change Ministerial Council
EV	Electric vehicle
ELT	Executive Leadership Team
EMS	Environmental Management System
ENSMS	Electricity Network Safety Management System
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
EU	European Union
FAR	Fixed Annual Remuneration
FFO	S&P Funds from Operations
FY	Financial year

GDP	Gross Domestic Product
GRI	Global Reporting Initiative
GWh	Gigawatt hours
HSMS	Health and Safety Management System
HY	Half year ending 31 December
H&S	Health and Safety
IAP2	International Association of Public Participation
ICT	Information, communication and technology
IFRS	International Financial Reporting Standards
IPART	NSW Independent Pricing and Regulatory Tribunal
ISSB	International Sustainability Standards Board
LTIP	Long Term Incentive Plan
Moody's	Moody's Investors Service, Inc.
NAP	Ausgrid Asset Partnership
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NPV	Net present value
NOP	Ausgrid Operator Partnership
NSP	Network Service Provider
NSW	New South Wales
NUoS	Network Use of System
NUP	Plus ES
O&M	Operation, Repair and Maintenance
Partnership Deeds	Collectively, the AAP Partnership Deed, the AOP Partnership Deed, the PES Partnership Deed and the APP Partnership Deed

PES Partnership Deed	The partnership deed dated 1 November 2017 pursuant to which Plus ES was formed, as amended or amended and restated from time to time
PLUS ES or Plus ES	Plus ES Partnership, a partnership under the laws of NSW, Australia, consisting of ERIC Alpha AUP Corporation 1 Pty Limited (ACN 621 524 374) in its capacity as trustee of the ERIC Alpha AUP Trust 1, ERIC Alpha AUP Corporation 2 Pty Limited (ACN 621 524 454) in its capacity as trustee of the ERIC Alpha AUP Trust 2, ERIC Alpha AUP Corporation 3 Pty Limited (ACN 621 524 525) in its capacity as trustee of the ERIC Alpha AUP Trust 3, ERIC Alpha AUP Corporation 4 Pty Limited (ACN 621 524 605) in its capacity as trustee of the ERIC Alpha AUP Trust 4 and Blue PES Partner Pty Limited (ACN 622 175 428) in its capacity as trustee of the Blue PES Partner Trust
Predecessor	The NSW state owned enterprise known as Ausgrid (ABN 67 505 337 385), which was established on 1 March 1996 under the *Energy Services Corporations Act 1995*, and which owned and operated the network for the Predecessor Periods
Predecessor Periods	The period from 1 July 2016 to 30 November 2016, and each prior financial year
RAB	Regulatory Asset Base
RepTrak	Reputation Scores
REZ	Renewable energy zone
RIN	Regulatory Information Notice
RIT-D	Regulatory Investment Test for Distribution
RoR Instrument	Rate of Return instrument
S&P	S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., and its successors
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SAPS	Stand-alone power system
SCS	Standard Control Services
SDO	Safety, Delivery and Operations
SFDR	Sustainable Finance Disclosure Regulation
SF_6	Sulphur hexafluoride

SOCI Act	*Security of Critical Infrastructure Act 2018* (Cth)
STIP	Short Term Incentive Plan
STPIS	Service Target Performance Incentive Scheme
Successor	The Group
Sydney Trains	Transport Asset Holding Entity of NSW (formerly known as Rail Corporation NSW) (ABN 59 325 778 353)
TCFD	Taskforce on Climate-Related Financial Disclosures
tCO_2e	Tonnes of carbon dioxide (CO_2) equivalent
Transgrid	NSW Electricity Networks Operations Pty Limited (ACN 609 169 959), as trustee for the NSW Electricity Networks Operations Trust, the operator of the high voltage transmission network in NSW
Treasury Policy	Our Treasury Policy
TRIFR	Total Recordable Injury Frequency Rate
TSS	Tariff Structure Statement
VPP	Virtual power plant
WACC	Weighted average cost of capital
Yancoal	Yancoal Australia Ltd (ACN 111 859 119)

FINANCIAL INFORMATION PRESENTATION

Unless the context otherwise requires, in this Offering Circular, references to "**FY2019**", "**FY2020**", "**FY2021**", "**FY2022**" and "**FY2023**" are to the fiscal years ended 30 June 2019, 2020, 2021, 2022 and 2023 respectively.

Certain "non-GAAP financial measures" (as defined in Regulation G under the Securities Act) have been included in this Offering Circular. These measures include:

- earnings before interest, tax, depreciation and amortisation (net of depreciation reclassification) ("**EBITDA**");

- net debt which is the sum of current borrowings, non-current borrowings and interest payable, less cash and cash equivalent investments;

- Cash Flow Available for Debt Service ("**CFADS**"), which is the sum of operating cash flow, investing cash flow, acquisition of business, net of cash required, interest paid, less capital contributions;

- Regulatory Asset Base ("**RAB**"), which is the value of the assets we use to provide standard control services ("**SCS**"), but only to the extent that they are used to provide such services, as set out in the National Electricity Rules ("**NER**");

- capital expenditure, which is payments for property, plant and equipment and intangible assets; and

- cash from operations, which is cash flows from operating activities before income tax paid, stamp duty, interest paid and interest received.

We believe that these non-GAAP financial measures provide useful supplemental measures to examine the underlying performance of our business, and management considers these metrics in measuring our operating performance. These measures, however, should not be considered to be an indication of, or alternative to, corresponding measures determined in accordance with AAS. In addition, such measures may not be comparable to similar measures presented by other companies.

In addition, under the documentation governing certain of our senior indebtedness, we are required to calculate certain financial ratios, including CFADS over interest ratio and a net debt over RAB ratio in accordance with the provisions of these documents.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements including, without limitation, estimated or forecast figures, words and expressions such as expect, believe, plan, intend, estimate, project, anticipate, may, will, would, could or similar words or statements, in particular, in the section entitled "*Business*" in this Offering Circular in relation to future events, the Issuer, the Guarantors, each of their subsidiaries for the time being, the Group's prospects, its expected financial condition, its business strategies, the future developments of the Group's operations and industry and the future development of the general domestic, regional and global economy.

These statements and figures are based on assumptions regarding the Group's present and future business strategy and the environment in which it expects to operate in the future. These matters and the Group's future results could differ materially from those expressed or implied by these forward-looking statements and any estimated or forecast figures and, although they reflect its current view of future events, they are not a guarantee of future performance or other matters. In addition, the Group's future performance may be affected by various factors and risks including, without limitation, those discussed in the sections entitled "*Risk Factors*" and "*Business*".

Should one or more of these or other risks or uncertainties materialise, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements. In respect of any estimated or forecast figures, such figures have not been audited or reviewed, and should not be regarded by prospective investors in the same manner as audited or reviewed information.

In this Offering Circular, statements of, or references to, intentions of the Issuer or the Guarantors or those of any of the directors of any of them are made as at the date of this Offering Circular. Any such intentions may change in light of future developments.

Each of the Issuer, the Guarantors, the Arranger, the Dealers, the Trustee and the Agents expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement or estimated or forecast figure contained herein to reflect any change in any Issuer's or any Guarantor's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement or figure was based or any change in the intentions of the Issuer, the Guarantors or any of their respective subsidiaries or directors.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

(a) the most recently published audited consolidated annual financial statements of the Group together with the audit report prepared in connection therewith;

(b) any relevant Pricing Supplement; and

(c) all amendments or supplements from time to time to this Offering Circular.

Such documents shall be incorporated in and form part of this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular may be obtained between 9:00 a.m. and 3:00 p.m. (Sydney time), Monday to Friday, excluding public holidays, without charge from the registered office of the Issuer.

Copies of documents incorporated by reference in this Offering Circular can also be obtained between 9:00 a.m. and 3:00 p.m. (London time), Monday to Friday, excluding public holidays, from the specified office for the time being of The Bank of New York Mellon, London Branch (as Issuing and Paying Agent) upon prior written request and satisfactory proof of holding. The Issuer or the Issuing and Paying Agent (as the case may be) may refuse to provide a copy of the Pricing Supplement for a Tranche of unlisted Notes to any person other than a Holder of such Notes.

Copies of documents listed in (a) above which are deemed to be incorporated by referenced in this Offering Circular may be obtained at www.sgx.com. Any websites referenced in this Offering Circular are intended as guides as to where other public information relating to the Group may be obtained free of charge. Unless stated otherwise in this Offering Circular, information appearing in such websites does not form part of this Offering Circular or any relevant Pricing Supplement, and none of the Issuer, the Guarantors, the Arranger or the Dealers accept any responsibility whatsoever that any information, if available, is accurate and/or up-to-date. Such information, if available, should not form the basis of any investment by an investor to purchase or deal in any Notes.

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OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Offering Circular.

Issuer:	Ausgrid Finance Pty Limited (ACN 615 343 005)
Initial Guarantors:.	Ausgrid Management Pty Ltd (ACN 615 449 548), the Australian partnership known as the Ausgrid Asset Partnership (ABN 48 622 605 040), the Australian partnership known as the Ausgrid Operator Partnership (ABN 78 508 211 731), the Australian partnership known as the Plus ES Partnership (ABN 30 179 420 673), the Australian partnership known as the Aurora Property Partnership (ABN 13 635 796 526), ERIC Alpha Asset Corporation 1 Pty Ltd (ACN 612 974 044) in its personal capacity and as trustee of the ERIC Alpha Asset Trust 1, ERIC Alpha Asset Corporation 2 Pty Ltd (ACN 612 975 023) in its personal capacity and as trustee of the ERIC Alpha Asset Trust 2, ERIC Alpha Asset Corporation 3 Pty Ltd (ACN 612 975 032) in its personal capacity and as trustee of the ERIC Alpha Asset Trust 3, ERIC Alpha Asset Corporation 4 Pty Ltd (ACN 612 975 078) in its personal capacity and as trustee of the ERIC Alpha Asset Trust 4, Blue Asset Partner Pty Ltd (ACN 615 217 493) in its personal capacity and as trustee of the Blue Asset Partner Trust, ERIC Alpha Operator Corporation 1 Pty Ltd (ACN 612 975 096) in its personal capacity and as trustee of the ERIC Alpha Operator Trust 1, ERIC Alpha Operator Corporation 2 Pty Ltd (ACN 612 975 121) in its personal capacity and as trustee of the ERIC Alpha Operator Trust 2, ERIC Alpha Operator Corporation 3 Pty Ltd (ACN 612 975 185) in its personal capacity and as trustee of the ERIC Alpha Operator Trust 3, ERIC Alpha Operator Corporation 4 Pty Ltd (ACN 612 975 210) in its personal capacity and as trustee of the ERIC Alpha Operator Trust 4, Blue Op Partner Pty Ltd (ACN 615 217 500) in its personal capacity and as trustee of the Blue Op Partner Trust, ERIC Alpha AUP Corporation 1 Pty Ltd (ACN 621 524 374) in its personal capacity and as trustee of the ERIC Alpha AUP Trust 1, ERIC Alpha AUP Corporation 2 Pty Ltd (ACN 621 524 454) in its personal capacity and as trustee of the ERIC Alpha AUP Trust 2, ERIC Alpha AUP Corporation 3 Pty Ltd (ACN 621 524 525) in its personal capacity and as trustee of the ERIC Alpha AUP Trust 3, ERIC Alpha AUP Corporation 4 Pty Ltd (ACN 621 524 605) in its personal capacity and as trustee of the ERIC Alpha AUP Trust 4, Blue PES Partner Pty Ltd (ACN 622 175 428) in its personal capacity and as trustee of the Blue PES Partner Trust, ERIC Alpha APP Corporation 1 Pty Ltd (ACN 664 207 907) in its personal capacity and as trustee of the ERIC Alpha APP Trust 1, ERIC Alpha APP Corporation 2 Pty Ltd (ACN 664 208 066) in its personal capacity and as trustee of the ERIC Alpha APP Trust 2, ERIC Alpha APP Corporation 3 Pty Ltd (ACN 664 208 315) in its personal capacity and as trustee of the ERIC Alpha APP Trust 3, ERIC Alpha APP Corporation 4 Pty Ltd (ACN 664 208 404) in its personal capacity and as trustee of the ERIC Alpha APP Trust 4, Blue Aurora Partner Pty Ltd (ACN 664 591 388) in its personal capacity and as trustee of the Blue Aurora Partner Trust, Plus ES Management 1 Pty Ltd (ACN 622 269 907) and Plus ES Management 2 Pty Ltd (ACN 622 269 934)

Description:	Secured Euro Medium Term Note Programme
Size:	Up to U.S.$3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the amended and restated dealer agreement dated 28 September 2023 between the Issuer, the Guarantors and the Arranger (the "**Dealer Agreement**").
Arranger and Dealer:	BNP Paribas The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the person listed above as Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	The Bank of New York Mellon, London Branch
Issuing and Paying Agent:	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent:	The Bank of New York Mellon SA/NV, Luxembourg Branch
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes, or a Guarantor's ability to fulfil its obligations under the Guarantee. These are set out under "*Risk Factors*". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes. These are also set out under "*Risk Factors*".
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.

Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Status of Notes and the Guarantee:	The Notes and the Guarantee will constitute unsubordinated and secured obligations of the Issuer and the Guarantors, respectively, all as described in "*Terms and Conditions of the Notes – Status*".
Security:	The obligations of the Issuer under the Notes and the Trust Deed are secured pursuant to the Security Documents, the Intercreditor Deed and the Security Trust Deed. See "*Description of Security and Intercreditor Arrangements*" for further details on the Security.
Form of Notes:	The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if: (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date; or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "– *Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "*Global Certificates*".
Clearing Systems:	Clearstream, Euroclear and, in relation to any Tranche, such other clearing system as may be selected by the Issuer and the Guarantors and notified in writing to the Issuing and Paying Agent, the Trustee and where applicable, the Registrar.
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies: . . . . . Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantors and the relevant Dealer(s).

Maturities: . . . . . Such maturities as may be agreed between the Issuer, the Guarantors and the relevant Dealer(s) and indicated in the relevant Pricing Supplement subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer, the Guarantors or the relevant specified currency.

Specified Denomination: . . . . . Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement save that:

(i) the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the currency in which the Notes are denominated;

(ii) the minimum denomination for Notes admitted to trading on a regulated market in a Relevant State or offered to the public in a Relevant State will be €100,000 (or its equivalent in another currency as at the date of issue of the Notes); and

(iii) in the case of Notes in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 of the United Kingdom (as amended, the "**FSMA**") and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes: . . . . . Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes: . . . . . Floating Rate Notes will bear interest determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions or the 2021 ISDA Interest Rate Derivatives Definitions, each as published by the International Swaps and Derivatives Association, Inc.;

(ii) by reference to EURIBOR, SONIA Benchmark, SOFR Benchmark, BBSW, BKBM, AONIA, €STR, TONA, SARON or another benchmark, as adjusted for any applicable margin; or

(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

	Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption:	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments:.	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Early Redemption:	Except as provided in "– *Optional Redemption*" below, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".
Other Notes:	Terms applicable to Partly Paid Notes and any other type of Note that the Issuer, the Trustee and the relevant Dealer(s) may agree to issue under the Programme will be set out in the supplementary offering circular if applicable.

Optional Redemption:	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Cross Default:	See "*Terms and Conditions of the Notes – Events of Default*".
Ratings:	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Australia, as the case may be, unless the withholding is required by law. In such event, the Issuer or the Guarantors shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in "*Terms and Conditions of the Notes – Taxation*".
Governing Law of the Notes and the Guarantee:	English law.
Listing and Admission to Trading:	Application has been made to the SGX-ST for the permission to deal in and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. There is no assurance that the application to the SGX-ST for the listing of the Notes will be approved. Any admission of any Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantors, the Programme or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

	The Pricing Supplement relating to each issue of Notes will state whether such Notes are to be listed and, if so, on which stock exchange, listing authority or quotation system the Notes are to be admitted to listing, trading and/or quotation. Unlisted Notes may also be issued.
Selling Restrictions:	The United States, the EEA, the United Kingdom, Australia, Canada, Hong Kong, Singapore and Japan. See "*Subscription and Sale*".
	The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.
	The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

RISK FACTORS

The Issuer and the Guarantors believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantors are in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer and the Guarantors believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer or the Guarantors may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer and the Guarantors do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision. Prospective investors should note that the risks relating to the Issuer and the Guarantors, their respective industries and the Notes summarised in the section of this document headed "Summary" are the risks that the Issuer and the Guarantors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Issuer and the Guarantors face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

Regulatory risks which may affect the Issuer's and the Guarantors' ability to fulfil its obligations under or in connection with Notes issued under the Programme

The energy industry in Australia is highly regulated. Our business is subject to economic regulations in the form of a revenue cap mechanism for our core electricity SCS distribution and transmission network. If the regulator's determination with respect to our allowable annual SCS revenue does not accurately reflect our cost structure, and/or if we are unable to effectively manage our costs, then that determination will adversely affect our business, results of operations, cash flows and financial condition.

The revenue our electricity distribution and transmission business is allowed to recover is regulated and subject to periodic review and revenue resets by the Australian Energy Regulator ("**AER**"). Pursuant to the National Electricity Law ("**NEL**") and National Electricity Rules ("**NER**"), the AER is required to review the economic regulation of electricity distribution services of all Distribution Network Service Providers ("**DNSPs**") typically every five years. In FY2019, FY2020, FY2021, FY2022 and FY2023, revenue from our core regulated business (also known as SCS) represented 88.5%, 88.0%, 87.4%, 87.4% and 85.5% of total revenue, respectively.

In setting the annual revenue cap for our SCS, the AER must:

- consider our operating and capital expenditures and determine an efficient level for these expenditures;

- adopt a commercial return appropriate to a benchmark network business, as determined every 4 years under its rate of return instrument;

- consult with us and other stakeholders on inputs used to reach that determination and demonstrate how that decision accords with the decision-making criteria of the NER; and

- determine our opening RAB, regulatory depreciation, regulatory tax payable, and outcomes of incentive schemes.

These drivers are impacted by factors including changes in macroeconomic conditions and regulatory practices or interpretations that are beyond our control, can be difficult to predict with certainty and may change within a regulatory control period. Actual results can be significantly different from these projections over the course of a regulatory control period due to changes in the costs of labour, equipment and capital inputs (including the costs of funding), among others. Consequently, our business, operations and cash flows may be adversely affected, and/or our profitability may deteriorate if:

- we are unable to efficiently manage or achieve certain performance targets in connection with operating costs and capital expenditures while maintaining prescribed service standards;

- the regulator's projection of our efficient operating costs, cost of debt and capital expenditures, is insufficient to meet our actual costs incurred;

- the actual electricity usage of our network falls below the regulator's determination, reducing cash flow for the relevant year, before any "true up" can be applied in the following financial year; or

- our operational short to medium term cost optimisation initiatives aimed at achieving efficiency scheme rewards have limited effect, are delayed or fail to materialise.

The annual revenue setting framework allows for changes in macroeconomic conditions, including using the actual CPI (on a lagged basis) and updating the weighted average cost of capital ("**WACC**") for market movements in debt interest rates over the previous year in line with the AER's trailing average methodology. However, there is no certainty that we will be able to recover the amount of capital or operating expenditure required to operate our regulated businesses through regulated revenues.

Our next five-year regulatory control period will commence on 1 July 2024. We submitted a regulatory proposal in January 2023 and the AER will make a draft determination in September 2023. We will submit a revised proposal in December 2023 and the AER will make its final determination in April 2024. AER determinations are difficult to predict and the outcome for our services currently classified as SCS may materially differ to the proposals submitted by us.

Failure to set prices at a level that allows us to recover the allowable revenue for the regulatory control period may adversely affect our business, results of operations and financial condition.

The operating results for our regulated businesses are dependent on tariff levels we charge, which are subject to allowable revenue or price cap controls set by the AER. For the current regulatory control period, our SCS is subject to a revenue cap, and our Alternative Control Services ("**ACS**") is subject to a price cap, which together form our Direct Control Services ("**DCS**"). Our regulated assets may be subject to one or more revenue or price resets by the AER during the tenure of Notes to be issued under this Programme. Under the NER, we are required to submit an annual pricing proposal to the AER for approval for each of the tariffs we charge to our end customers for our DCS. The maximum network tariffs that may be charged by us in respect of DCS (essentially the cost to access and use the electricity distribution network) are annually proposed by us to the AER. The AER then assesses those proposals for compliance against the allowable revenue determination for that regulatory control period, our TSS, the principles set out in the NER and the relevant legislative and regulatory instruments. It is material to our revenue profile that the tariff price is set at a level that allows the allowable revenue to be recovered in each regulatory control period.

In late 2014, the NER were changed to require distribution networks to set more efficient or cost-reflective tariffs. As part of the rule change, we are required to publish a tariff structure statement ("**TSS**") that provides clarity on our approach to setting tariffs for the next regulatory control period. The TSS sets out proposed tariffs, structure and charging parameters for each proposed tariff that we propose to apply. Our current TSS applies for the 2019 – 2024 period and was approved by the AER in April 2019. In September 2019, we submitted a proposal to amend our current TSS which sought to introduce new network tariffs for certain embedded network customers. The AER decided not to approve this amendment proposal on 28 February 2020. As a result, the TSS released on 30 April 2019 continues to apply. For completeness, we note that Ausgrid submitted an updated TSS as part of its regulatory proposal for the 2024 – 2029 regulatory period on 31 January 2023. The regulatory proposal is currently pending AER approval.

Once a TSS is approved, it provides a guide in shaping a DNSP's annual pricing proposals, which is submitted to the AER prior to the commencement of each regulatory year to which the pricing proposal applies. The annual pricing proposal is where a DNSP translates the annual allowed revenue or price cap, as applicable, from its distribution determination, and the allowed tariff structures from its TSS, into prices for individual tariffs. The AER reviews our pricing proposal and makes a decision on that proposal in accordance with the NER. For example, we may not propose a tariff which was not included in our approved TSS, nor may we vary the parameters of a tariff from that described in our TSS. This is intended to provide retailers, end customers and other stakeholders with certainty about the structure of tariffs to be charged in each year of the regulatory control period. The TSS, in principle, addresses tariffs for both SCS and ACS. However, in practice the tariffs for ACS are almost entirely dealt with by our distribution determinations and the annual pricing approval process. There is relatively little regulatory role for TSS in the context of ACS. We submitted our annual pricing proposal for FY2024, being the third regulatory year of the 2019 – 2024 regulatory period, on 31 March 2023. On 27 April 2023, we submitted a revised pricing proposal in response to AER queries. The resubmission did not result in any changes to proposed prices. On 4 May 2023, the AER approved our annual pricing proposal and the new tariffs took effect on 1 July 2023 for the period from 1 July 2023 to 30 June 2024.

Under the current revenue cap mechanism for our SCS, if our revenue is above or below the regulatory benchmark for allowed revenue in any year, this difference will be adjusted in future years. Therefore, revenue risk driven by differences between forecast benchmark volumes and actual volumes is transferred to end customers and manifest as price increases or decreases, as relevant, in subsequent years. Developing appropriate distribution tariff structures remains core to articulating our long term network strategy. The failure to set a tariff price at a level that allows us to recover the allowable revenue for the regulatory control period may adversely affect our business, capacity to carry out operations, cash flows and financial condition, especially in the near term before any "true up" has been applied to mitigate the under-recovery of expected revenue in the following financial year.

Material changes in the ACS charges we are allowed to collect may impact the volume of our services, associated revenue, results of operations, cash flows and financial condition.

ACS refers to public lighting services, various metering services and ancillary network services, such as connection or disconnection services. These services are not subject to an annual allowed revenue, but to caps on individual prices. In FY2019, FY2020, FY2021, FY2022 and FY2023, our ACS revenue represented 5.9%, 6.7%, 6.9%, 6.4% and 7.0% of total revenue, respectively. The AER sets caps on the individual prices for each year of the regulatory control period and our annual pricing proposal must set prices for these services in accordance with this determination. Our regulatory proposal for ACS is submitted at the same time as SCS. An adverse determination by the AER for a given regulatory control period could impact the volume of ACS we provide, the associated revenue, results of operations, cash flows and financial condition.

Changes in the political or regulatory environment governing electricity distribution and transmission activities, and new and amended laws and regulations, could adversely affect us.

As the regulatory environment to which we are subject evolves, new and amended laws and regulations that impact our operations may be implemented. Australian federal, state, territory and local governments may change existing laws, regulatory authorities may impose new requirements on the exercise of discretionary power or existing laws or regulations may be subject to new interpretations that could have adverse implications for our business. In addition, any person may propose changes to the NER and the National Energy Retail Rules to the Australian Energy Market Commission.

Any changes to laws or regulations may influence various components of our business, including:

- the profitability of our business;
- our cash flows and regulated revenue;
- the prices that we can charge for services;
- the types and extent of services we may offer to end-customers;
- our operating terms;
- our ability to challenge decisions made by the AER;
- our ability to benefit from or avoid penalties associated with incentive schemes administered by the AER, such as the Service Target Performance Incentive Scheme ("**STPIS**"), the Capital Expenditure Sharing Scheme ("**CESS**") and the Efficiency Benefit Sharing Scheme ("**EBSS**");
- the construction, certification and operation of new network lines and facilities;
- the maintenance, safety and security of our network (including the standards governing network integrity, testing and in-line inspections) and facilities;
- the acquisition or divestment of assets, services or other businesses on terms advantageous to us;
- the operations and accounting of certain business entities, for example the separation of our regulated services and unregulated services for the purposes of the AER's ring fencing guidelines;
- reporting, disclosure and information-posting requirements;
- approach to debt management (including the trailing average cost of debt calculation);
- the extent and manner of maintaining accounts and records; and
- our interactions and relationships with other companies involved in the electricity distribution and transmission business.

Any of these changes could adversely affect our business, prospects, results of operations, cash flows and financial condition. A recent example of regulatory change that may have an adverse impact on our business is the AER's review of the incentive schemes. DNSPs, including our business, are subject to incentive-based regulation that provides us with financial incentives to improve our efficiency in our capital expenditure and operational expenditure (i.e. financial rewards for improved efficiency and financial penalties for less efficiency, and customers benefitting from improved efficiencies through lower regulated prices). A key ex-ante measure of this incentive regime is the CESS whereby we are rewarded with 30% of any underspend or penalised 30% for any overspend of our capital expenditure allowance.

The AER released its final decision on incentive schemes in April 2023, in which it decided to change how the CESS applies to Network Service Providers ("**NSPs**") as follows:

- NSPs would be rewarded with 30% for any underspend of up to 10% of the forecast capital expenditure for a regulatory period;
- NSPs would be rewarded with 20% for any underspend that exceeds 10% of the forecast capital expenditure for a regulatory period; and
- NSPs would be penalised 30% for any overspend of the forecast capital expenditure allowance for a regulatory period.

This approach departs from the previous scheme by introducing a 'bright line' approach to CESS and a lower incentive rate that will apply in certain circumstances. Further, it is now asymmetrical in that overspends and underspends are subject to different incentive rates if the 'bright line' is reached.

The pass through mechanism in the NER recognises that DNSPs can be exposed to risks beyond their control, and enables us to recover (or pass through) the costs of defined unpredictable, high cost events that are not accounted for in the distribution determination. Despite this, we may still incur additional costs in complying with any new or modified legal and regulatory obligations, which could negatively impact our business, prospects, results of operations, cash flows and financial condition.

The limited ability to challenge binding Rate of Return Instruments ("RoR Instruments"), and other changes to the regulatory framework, could adversely affect us.

Our ability to challenge RoR Instruments is limited to a judicial review only. For a judicial review, we are required to establish that there has been a legal error in the determination, such as an error in the interpretation of the statutory provisions that are being applied to the binding RoR Instrument.

If the AER makes an adverse RoR Instrument with respect to the price or revenue regulation of one or more of our regulated assets, our ability to successfully challenge such an RoR Instrument may be limited, and our business, results of operations and financial condition could be negatively impacted. Further, even in the event we are successful in challenging an RoR Instrument, the protracted nature of the legal appeals process may divert the attention of our management and business from constructive engagement with the AER, be costly and/or have an adverse effect on our business, results of operations and financial condition in the future.

A recent focus of the AER that may inform the way we conduct our regulated business is its review of the guidelines for the Regulatory Investment Test for Distribution ("**RIT-D**"). The RIT-D is a public cost benefit analysis that DNSPs must apply to potential regulated investments in the distribution network that exceed A$6 million. Its purpose is to identify the preferred option to deliver the greatest economic benefit to the National Electricity Market ("**NEM**"), and to ensure that investment decisions are in the long-term interests of consumers.

The AER's review was triggered by a recent change to the NER that seeks to clarify the circumstances under which a Regulatory Investment Test ("**RIT**") proponent that has already completed a RIT-D is required to reapply the RIT-D. In particular, the rule change requires us to develop re-opening triggers for projects over a A$100 million threshold. If this threshold is met, we are required to consider the extent to which the previously identified preferred option is likely to remain the most net beneficial option in view of changed circumstances.

Once published, the AER guidelines will provide greater certainty on the purpose and appropriate approach to developing our RIT-D re-opening triggers, and the actions that may be taken in response to a re-opening trigger.

We are subject to various federal, state and local regulations and other requirements, including retention of certain licences and permits.

As an operator of an electricity distribution network, we are required to hold a Distributor's Licence under the Electricity Supply Act 1995 that specifies the conditions under which we may operate electricity distribution systems (which includes our transmission assets). Our current distributor's licence was issued by the New South Wales Minister for Industry, Resources and Energy, and came into effect on 1 December 2016. It has been varied three times by the relevant Minister, on 4 December 2017, on 5 February 2019 and most recently, on 23 September 2022. It is subject to a number of conditions and is administered by NSW Independent Pricing and Regulatory Tribunal ("**IPART**"). In this regard, IPART is responsible for monitoring our compliance with conditions under our distributor's licence and with the safety and other elements of the Electricity Supply Act and regulations. All NSW network operators are subject to the Electricity Supply Act 1995, Electricity Supply (General) Regulations 2014 and Electricity Supply (Safety and Network Management) Regulation 2014. In addition, the Electricity Network Assets (Authorised Transactions) Act 2015 contains additional requirements for the operation of leased electricity networks (of which the Ausgrid network is one).

In addition, assets we own and/or operate are dependent on the granting and maintenance of other appropriate licences, permits or regulatory consents. Although these authorisations may be renewed following expiry or granted (as the case may be), there can be no guarantee that authorisations will be renewed, granted or continued, or renewed, granted or continued on no more onerous terms. Moreover, these authorisations are potentially subject to loss, revocation, variance or forfeiture in the event of material non-compliance. Any failure to obtain or maintain necessary authorisations, or any revocation or material variation to a licence including our Distributor's Licence may adversely affect our business, results of operations and financial condition. In addition, any revocation of a major authorisation may constitute a breach of the Distribution Network Lease, which if not cured, may result in termination of the Distribution Network Lease.

The technical and compliance aspects of our businesses are subject to various Australian federal, state, territory and local laws, regulations and requirements. We are also obligated to comply with health, safety and environmental laws and with conditions contained in various regulatory instruments, such as licences for the operation of distribution and transmission systems. The cost of compliance with such laws and conditions may increase. In addition, failure to comply with our regulatory obligations may result in us incurring losses, including losses arising from penalties, end customer and third party damages claims, reputational damage and, in extreme cases, variation or revocation of a licence or licences and termination of the Distribution Network Lease from the State of NSW. Any failure to obtain or maintain necessary authorisations, or to comply with applicable conditions, regulations and requirements, could have a negative impact on our business, reputation, results of operations and financial condition.

Our environmental regime could subject us to inspection, non-compliance and remediation costs.

We are subject to an environmental regime applying to the sites, easements and facilities of our operations and are required to comply with legislation concerning the protection of the environment, including the use of natural resources, impacts on heritage, impacts on ecology, release of air emissions and waste water, noise pollution, soil and groundwater contamination, and the generation, storage, handling, transportation, treatment and disposal of waste and hazardous materials. In the ordinary course of business, our operations are subject to internal environmental policy and management procedures, environmental inspections and monitoring by governmental enforcement authorities. The costs associated with these procedures could increase as a result of new or heightened environmental concerns. We may also experience increased costs or interruptions to operations for any failure to comply with environmental laws. These costs or interruptions could include fines, damages, civil or criminal sanctions and "stop work" orders for actual or alleged breaches of any environmental law. Such costs or duration of interruption are challenging to estimate and interruptions could stretch over several years for a single violation.

Costs may also be incurred for the remediation of sites, easements and facilities (both current and historical). Various materials and substances that are hazardous or environmentally sensitive, such as oil, sulphur hexafluoride ("**SF_6**"), polychlorinated biphenyls, benzene, toluene, ethylbenzene and xylene, polycyclic aromatic hydrocarbons or asbestos have been used or contained in the facilities and sites involved in our current and historical businesses. We have approximately 220km of in-service underground circuits which are paper insulated fluid filled, also known as self-contained fluid filled cables. The cable fluid is either mineral oil, linear alkylbenzene or a combination of both and its escape could contaminate the groundwater, surrounding land or waterways. This represents less than 1% of our underground network. The function of the cable fluid is to improve performance of the cable by filling voids present in the paper insulation and so avoiding cable breakdown. The cables were installed mainly in the 1960s through to 1970s. As these cables are buried in the ground, they are subject to environmental and mechanical stresses as well as the electrical stresses they experience through normal operation as part of the electricity network. Where these stresses result in damage of the metal sheath containing the insulating fluid, it is possible that this fluid can leak into the ground, either from continuous small leaks or infrequent significant leaks.

The occurrence of a major environmental hazard or remediation obligation could adversely affect our business, results of operations and financial condition and/or damage our reputation.

We are subject to risks related to climate change.

We are subject to risks associated with climate change, comprising both transition risks and physical risks.

The energy transition in Australia entails a range of transition risks to the Ausgrid Group. One such risk is the actual and potential developments in climate-related policy and regulation. Recent reforms that promote climate change adaptation include the introduction of regulatory guidance notes on resilience-related funding and the integration of distributed energy resources ("**DER**"). Future policy actions, both at a national and state level, may constrain actions to address the adverse effects of climate change. Other future policy actions may promote adaptation, such as the proposed November 2023 legislative amendment, which is expected to require regulators and other market bodies to consider Australia's emission reduction targets when making decisions in connection with the relevant energy laws.

In addition, we may need to comply with regulatory developments which include new transparent disclosure or reporting requirements that address the transparency and accuracy of climate-related issues. Regulators are also showing an increased interest in potentially false or misleading claims made (including in disclosure materials) by businesses regarding environmental practices and climate-related issues. Failure to either comply with these regulations and/or requirements, or to ensure the accuracy of statements made in relation to these matters, could have an adverse impact on our business, financial condition, reputation and results of operations.

We are also subject to physical risks related to climate change, such as extreme heat days, heatwaves, bushfire, windstorms (East Coast lows, rain, wind speed), riverine flooding and coastal inundation (and the associated precipitation). Such physical risks to the network can be either chronic risks that cause slow but noticeable damage to assets, eventually leading them to fail before their planned end-of-life which causes interruption to customer supply (e.g. increasing air temperature) or weather events that become more frequent and intense (e.g. storms) which can damage infrastructure and cause widespread long-duration outages.

We are subject to various obligations under the Distribution Network Lease, and breach of certain terms can give rights of termination of the Distribution Network Lease by the State of NSW.

The Distribution Network Lease sets forth various provisions relating to maintenance and repair of the distribution network, creation and use of new distribution assets, reporting requirements to Alpha Distribution Ministerial Holding Company (the lessor) and the insurance of assets by the Ausgrid Asset Partnership (the lessee). The Distribution Network Lease also contains certain events of default which, if not cured, can give the Lessor rights to terminate the Distribution Network Lease. The default events include payment default, insolvency events, any unauthorised assignment, change in control or granting of security, any revocation of a major authorisation, and breach of use, operating or maintenance obligations. If a default under the Distribution Network Lease terms is not cured within the relevant cure period, the Distribution Network Lease may be terminated, and we would no longer be able to operate our business. See "Business – Overview of the distribution network lease" for further information regarding our obligations under the Distribution Network Lease.

We may be unable to benefit from applicable regulatory incentive schemes or meet network reliability standards administered by the AER, and may be penalised.

The Service Target Performance Incentive Scheme ("**STPIS**") is an incentive scheme to encourage DNSPs to maintain or improve network performance. It focuses on supply reliability and end customer service, including the duration and frequency of supply interruptions and call centre performance. The incentive scheme provides financial bonuses and penalties of up to 5.0% of revenue, known as "revenue at risk", for DNSPs that meet (or fail to meet) performance targets. The results are standardised for each network, to derive an "S Factor" that reflects deviations from performance targets. While the scheme aims to be nationally consistent, it has flexibility to deal with the circumstances and operating environment of each network. The reliability component of the scheme sets targets for the annual average duration and frequency of outages for each distribution business. The end customer service component of the scheme sets targets for the speed of call answering at our call centres. The targets are generally based on the results of the business over the previous five years, normalised to exclude interruptions beyond the network's reasonable control. In FY2022 the STPIS performance resulted in a reward of A$4.5 million in FY2024 revenue (there is a two-year lag between the year of performance and revenue impact). Whilst the previous three years have returned a positive result, reliability performance and STPIS can be uncertain. For example, in FY2020 poor reliability performance resulted in a revenue penalty of A$20.2 million in FY2022 revenue.

In 2020 the AER introduced the Customer Service Incentive Scheme ("**CSIS**") which aims to improve customer service outcomes. The CSIS allows each business to create bespoke performance measures and targets in consultation with customers, and Ausgrid has proposed a CSIS for its next regulatory determination. The maximum revenue at risk for this scheme is 0.5% of revenue, which is proposed to replace the call answering component of STPIS.

In 2023 the AER introduced the Export Services Incentive Scheme ("**ESIS**"), which is a voluntary incentive scheme intended to improve services relating to the export of electricity. It is similar to the CSIS in that each DNSP can create bespoke performance measures and targets in consultation with customers. Due to the timing of the finalised scheme being after submission of the FY2025-2029 proposal, Ausgrid does not intend to implement an ESIS at this time.

CESS and EBSS are schemes which provide incentives to undertake efficient capital expenditure and operating expenditure, respectively, during a regulatory control period. Where we outperform (i.e. spend less than) the approved forecast capital expenditure and/or operating expenditure in a regulatory control period, we are entitled to keep 30% of the benefit. However, where we underperform (i.e. spend more), we may be penalised by having negative adjustments made to revenue in the next regulatory control period. In April 2023 the AER decided that the CESS reward will be 30% for underspends up to and including 10%, and 20% for underspends over 10%. This will apply to Ausgrid from the FY2025-2029 period onwards.

For the FY2015-2019 regulatory control period, the AER allowed us to retain A$260 million under the EBSS, reflecting efficiencies achieved during the prior regulatory control period in which our actual operating expenditure was lower than the forecast operating expenditure. The EBSS did not apply to the FY2015-2019 regulatory control period and therefore, no reward or penalty was included in the FY2020-2024 revenue determination. The EBSS does apply to the FY2020-2024 revenue determination. The CESS applied for the FY2015-2019 regulatory control period and a A$94 million reward was included in the FY2020-2024 revenue determination.

There is a risk that the AER's application of the incentive schemes could differ to our interpretation and application and this could potentially result in a reward lower than expected or a penalty.

Our Distributor's Licence contains conditions that require us to meet network reliability standards in a way similar to the STPIS. The conditions also require us to pay individual end customers when they experience poor service, above a set duration or frequency threshold for supply interruptions. For the year ended 30 June 2023, we met all network reliability standards, except for our long rural System Average Interruption Duration Index ("**SAIDI**") performance standard, resulting in 909.35 minutes of SAIDI against the long rural feeder standard of 700 minutes. There is no financial penalty for exceeding the overall performance standard. The breach of the performance threshold for long rural feeders in FY2023 was caused primarily by severe weather (flooding) events which prevented our staff accessing outage areas to assess damage and make repairs for a longer than normal time following loss of supply. We are implementing actions to facilitate remote network switching to help mitigate this risk in the future.

Customer and supplier related risks which may affect the Issuer's and the Guarantor's ability to fulfil its obligations under or in connection with Notes issued under Programme

Our ACS are subject to a price cap mechanism, and accordingly any significant decrease in end customer demand for ACS services could adversely impact our business, revenue, profitability and/or prospects. In addition, the AER may determine that a price cap mechanism shall apply to our SCS in future periods, in which case any significant decrease in end customer demand relative to our forecast within the period of the regulatory determination for SCS could adversely impact our business, revenue, profitability and/or prospects.

Our ACS are subject to a price cap, and any significant decrease in demand for our ACS may adversely affect our revenue and results of operations. Prior to 1 July 2014, our SCS distribution business was subject to a price cap mechanism, and our SCS transmission business was subject to a revenue cap mechanism. Commencing on 1 July 2014, and for the previous FY2015-2019 and current FY2020-2024 regulatory control periods, the AER determined that a revenue cap mechanism shall apply to both our SCS distribution and SCS transmission business. However, there is no guarantee that the AER will not determine a price cap form of price control shall apply to our SCS in future periods, and any significant decrease in electricity consumption and demand from our SCS network business may adversely affect our future revenue profile. In preliminary documentation for the FY2025-2029 period the AER has confirmed that a revenue cap will apply to distribution and transmission services.

In June 2023 the AER indicated that metering services currently classified as ACS would be treated as SCS for the FY2025-2029 regulatory period in its draft decision. This could create additional volume risk if the forecast meter numbers on which the metering revenue is based is underestimated. In preliminary discussions the AER has indicated that it will implement a true-up mechanism to mitigate this risk. Until detail of the mechanism is known we consider the change in classification could adversely affect our revenue and profitability.

The volume of electricity we sell is dependent on end customer demand, which is influenced by a range of variables, including energy usage behaviour in people's homes and in business and industrial facilities, technological changes and/or advancement including penetration of DER, government policy, mandatory minimum appliance performance standards, mandatory energy efficiency schemes, energy prices, prevailing consumer sentiment and economic conditions, availability of adequate supplies of electricity, alternative fuels or energy sources, weather conditions, long term climate and temperature trends and other factors. In FY2020 and FY2021, we experienced a reduction in customer energy demand, principally due to COVID-19.[1] End customer demand may be adversely impacted by any one or more of the variables listed above. Accordingly, an unexpected decline in end customer demand for our services may adversely affect our results of operations, prospects and/or revenue derived from our ACS, or revenue from our SCS if we were to become subject to a price cap form of control in the future.

[1] In FY2020 and FY2021, COVID-19 resulted in periodic travel and movement restrictions in Australian states, including New South Wales where our distribution area is located. This affected customer energy demand in those years, however a revenue cap applies to our SCS, protecting us from the impact of changing energy consumption patterns.

For the duration that our SCS is subject to a revenue cap mechanism, any significant decrease in customer demand relative to our forecast could adversely impact our business, revenue, profitability and/or prospects, until adjustments are made to our network tariffs in the next regulatory year.

While our SCS is subject to a revenue cap mechanism, any significant decrease in actual customer demand that is not reflected in our forecasted demand used in our pricing model will result in our actual tariff revenue for a regulatory year not allowing us to collect the full revenue allowance permitted under the revenue cap. Despite being permitted to recover this shortfall in actual revenue (plus WACC interest) through adjustments to our network tariffs under the revenue cap for the next regulatory year, such a decline may adversely affect our revenue profile temporarily until the recovery is made.

Conversely, a significant increase in actual customer demand that was not contemplated in our forecasted demand used in our pricing model, would result in our actual tariff revenue being greater than our revenue allowance under the revenue cap for a given regulatory year. In such circumstances we would be required to return this over-recovery in actual revenue (plus WACC interest) through adjustments to our network tariffs under the revenue cap for the next regulatory year.

In addition, our profitability may be adversely affected under the revenue cap mechanism where an unexpected increase in customer demand results in network congestion which could lead to us being required to bring forward capital expenditure that was allocated for future periods.

Our revenue is dependent on certain significant retailer counterparties.

We derive a substantial amount of our revenue from a small number of large energy retailer counterparties. In FY2019, FY2020, FY2021, FY2022 and FY2023, 95.6%, 94.9%, 94.0%, 92.8% and 92.0%, respectively, of our total revenue was derived from our top ten energy retailer counterparties, and 76.2%, 74.3%, 73.2%, 70.8% and 67.9%, respectively, of our total revenue was derived from our top three retailer counterparties. Our retailers bear the risk of non-payment by the end customer, and in the event that a retailer enters administration or liquidation, we can seek approval from the AER to pass through any unpaid network charges to end customers in our supply area and recover them through higher tariffs. However, if a retailer is unable to meet its payment obligations to us when they become due and payable, our earnings and cash flows may be adversely affected until the pass through amount is received in the following year or later. In FY2023 a small number of retailers failed due to unprecedented wholesale electricity market volatility and the AER has allowed Ausgrid to re-coup unpaid revenue through higher tariffs.

We depend on Transgrid to deliver most of the electricity supplied to our distribution and transmission network, and the occurrence of any unplanned outages of Transgrid's transmission network may have a material adverse effect on our business, results of operations and financial condition.

Transgrid is the primary operator of the electricity transmission network in NSW, connecting generators, distributors (such as us) and major end-users across NSW and ACT. Electricity is transported along Transgrid's high voltage transmission lines and underground cables, through substations and delivered to our distribution network. Almost all of the electricity supplied by us to our customers is supplied from Transgrid's transmission network. Although Transgrid's transmission network has historically been highly reliable, if unplanned outages or network failure were to occur on Transgrid's transmission network, due to outages at or closure of power stations, other energy supply interruption, equipment breakdown, fire, adverse weather, industrial relations disputes, natural disasters, catastrophic events, human error or otherwise, we may be unable to secure enough supply, or any supply at all, to meet customer demand which may have a material adverse effect on our business, results of operations and financial condition. Ausgrid maintains a

'Local Black Start Plan', approved by the Australian Energy Market Operator ("**AEMO**"), as required by the NER, to prepare for significant loss of supply from Transgrid, and manage the operations to restore supply to our customers following any such event.

Operational and legal risks which may affect the Issuer's and the Guarantor's ability to fulfil its obligations under or in connection with Notes issued under the Programme

Electrical distribution and transmission networks are subject to significant health and safety risks which could expose us to the potential for incidents occurring that lead to subsequent claims and increased regulatory costs and/or unfavourable public opinion that could impact approvals.

The operation and maintenance of our electricity distribution and transmission network and related facilities is subject to the potential for occupational health and safety and public safety-based hazards and their associated risks, including workers and/or members of the public being exposed to the potential risk of interaction with hazardous energy, if not controlled adequately. Additionally, the inherently hazardous nature of undertaking maintenance and construction-based work on the network requires concise planning and implementation, to identify the potential hazards, then assess the risk and control the associated risk effectively.

This business-wide focus on health and safety, including an overhaul of how we work on live powerlines and other high-risk activities, as well as the increased safety messaging to the general public and customers, are among the ongoing initiatives at Ausgrid.

Ausgrid recently published its annual Electricity Network Safety Management System ("**ENSMS**") performance report which outlines some of the key activities that Ausgrid is undertaking to improve safety across the network, including the management of the potential bushfire risk. Ausgrid's ENSMS covers all interactions with our network, aiming to minimise the risk to:

- the public, and persons working on or near the network;
- the protection of property and network assets;
- safety aspects arising from the protection of the environment, including protection from ignition of fires by electricity networks; and
- safety aspects arising from the loss of electricity supply.

In addition, electromagnetic fields are present wherever there is electricity and are sometimes the subject of potential public health concerns. We are in compliance with the guidelines recommended by the Australian Radiation Protection and Nuclear Safety Agency, the relevant regulatory body, and maintain policies consistent with two internationally recognised guidelines published by the International Commission on Non-Ionizing Radiation Protection and the Institute of Electrical and Electronics Engineers.

Our energy infrastructure is subject to a wide variety of operational risks.

Our electricity distribution and transmission operations are subject to risks and hazards typically associated with such operations caused by asset and network design issues, asset deterioration and asset failures, vegetation issues, accidental and/or intentional damage by third parties and vehicle accidents and extreme weather events. Additional risks include equipment and resource supply chain issues, contractor defaults, contractors altering their service offering, manufacturing quality issues or contamination issues relating to critical items, extended equipment lead times as well as regulatory, technological, land access and climate considerations.

These risks could result in significant unplanned outages, safety incidents, bushfires, environmental pollution and damage to property, personnel and the public. It can also result in financial penalties including fines, incentive scheme payments and asset repair or replacement costs.

To keep the network operational, planned maintenance, repairs and replacements are necessary. As assets age, their condition deteriorates which may lead to the need for an increase in these activities. External environmental factors, such as climate change, can increase the potential for widespread asset damage, requiring the ongoing review of asset management practices.

In addition, we regularly install new assets and undertake network expansion. Population growth, increased usage (i.e. through growth in air conditioners, electrical appliances, information technology, home entertainment and new connection types including data centres), new generation connections and technological changes (i.e. electric vehicle growth) may increase peak demand requirements on our electricity and distribution network. This increase in demand may further accelerate the deterioration of our network and increase asset management requirements.

The delivery of these maintenance and construction activities involves a number of typical project and delivery risks, including approvals, worker capability and competency, plant, tools or equipment shortages, higher than budgeted costs and project delays, which may impact the commerciality and economics of the development. Failure to undertake maintenance and construction activities to the appropriate standards, quality and/or in a timely manner could result in asset and network issues which could adversely impact our business. We cannot always predict network and asset needs and therefore need to account for potential reactive investment.

Ausgrid has in place an Asset Management System ("**AMS**") compliant with ISO55001: Asset Management. Although our AMS provides a framework for managing our electricity network and other assets through the complete asset lifecycle, from planning and building to operation, maintenance and disposal, any limitations or failures in the strategies, plans, policies, guidelines, codes, monitoring and reporting within the AMS could expose our network to risks that may have an adverse effect on our business.

Our assets, operations and reputation are subject to a wide variety of risks stemming from bushfires.

Our electricity distribution and transmission assets and operations are subject to risks and hazards associated with bushfires. Bushfires can be caused by our network from a variety of sources including lightning strikes, sparks from hot work and electrical incidents such as fallen power lines. Bushfires that are not caused by the network may still impact the network and operations.

Bushfires could result in significant unplanned outages and damage to network assets, property, personnel, and the public, especially if the bushfire occurs or spreads to populated areas, industrial sites or commercial facilities. Bushfires may also increase risks of litigation and adversely impact our insurance policies. If any of these risks or hazards occur, we could be responsible for remedying any related damage, which may adversely affect our business, reputation, results of operations and financial condition.

In particular, as components of our network deteriorate and approach the end of their life, there may be an increased risk of fires resulting from asset failures without adequate preventative measures. A large proportion of our network assets were built in the 1950s and 1960s and are nearing the end of their serviceable lives. Although our business processes and systems are in place to maintain, replace and renew those assets and to monitor and manage bushfire risks, there is still the potential that such processes and systems will fail, or not be carried out as

planned. Since 2012, we have not had any bushfire liability claims, and claims made as a result of our assets starting a fire amount to less than A$0.5 million. However, major bushfires could occur within our network that materially increase the costs of providing our services, which we may not be able to pass through to end customers. In addition, our insurance may not fully cover all liabilities incurred from bushfire related incidents and damages, and we cannot be certain that insurance coverage for all potential liabilities and losses from bushfires will be available to us in the future on commercially viable terms or at all.

Further, in making its determination on our periodic regulatory proposals, the AER may not agree with our assessment of expected operating and capital expenditure requirements in connection with network maintenance and bushfire protection. This may result in a final determination by the AER that substantially reduces our operating and capital expenditure allowance for the next regulatory control period.

Outsourcing of certain of our business operations may generate unintended adverse impacts on our operations.

Some of our business activities such as network repair and replacement, supply of critical assets, construction of new facilities, specialised maintenance and inspection activities, information technology development, specialised advisory services and overflow maintenance that cannot be resourced by Ausgrid employees are outsourced to third party contractors. There is a risk that we retain liability, or are made liable, for the acts or omissions of contractors we engage. There is also a risk that:

- the contractual position we take may be unable to be enforced or may be enforced in a manner different to that which was planned;
- contractors we engage are unable to fulfil the obligations under their contracts resulting in termination or default, creating liabilities and adversely affecting us and our interests;
- contractors we engage fail to comply with safety systems and standards under their agreements and/or fail to comply with applicable legal, environmental, social, insurance and regulatory requirements;
- contractors we engage fail to adequately manage their subcontractors and/or supply chain creating liabilities that adversely affect us and our interests;
- there may be delayed data flow, communications, miscommunications and other human errors between us and contractors that could prevent achieving regulatory requirements;
- there may be problems with contractors in connection with management of their workforce, labour unrest or other employment issues;
- outsourcing may have an adverse effect on employee engagement; or
- outsourcing may lead to a greater level of scrutiny from an industrial relations perspective.

If contractors fail to perform in accordance with their obligations under their respective contracting arrangements, it could adversely impact our ability to build, maintain and operate a network that provides safe and efficient electricity distribution. Failure to perform could include delayed delivery of services and major projects that would cause reputational damage and potential consequential damages to stakeholders.

Failure to successfully implement our Transformation Program could adversely impact our financial performance and long-term growth.

The Transformation Program is structured to deliver on Ausgrid's long-term strategic ambition while addressing near-term constraints. The success of the Transformation Program may be impacted by a range of factors including leadership and strategic alignment, programme execution, reporting and governance and external events.

In addition, our core business strategy includes acquisitions of related assets, such as our acquisition of AGL's contestable unregulated metering business, Active Stream, in 2017. The energy markets are evolving in Australia with potential changes to the roles that networks will play in light of disruptive technology and a move to decarbonisation. Ausgrid could look into potential acquisitions to cement its network position in this changing landscape as well as developing new electricity network capacity and growth in the unregulated revenue streams relating to contestable metering. Integrating these various assets into our business or execution of the various business plans could prove unsuccessful as a result of unanticipated costs (including accounting, tax, reporting, land access, environmental compliance and technology costs), failure to realise anticipated synergies, failure to obtain necessary approvals or waivers, failure to retain key employees or assets or the inability to properly supervise integration measures.

The failure to successfully implement our Transformation Program or to identify prudent acquisitions, or the unsuccessful integration of developed or acquired assets, or the failure to successfully integrate new employees or encourage existing employees to adopt and implement the Transformation Program, could prevent us from obtaining anticipated operating advantages and cost savings, which may harm our business, results of operations and financial condition.

Our business operations are dependent on information technology services. These services are subject to system interruptions, which may include interruptions resulting from cyber-attacks.

Our business operations rely on many information, communication and technology ("**ICT**") systems and applications which are utilised in the delivery of core business functions. These include asset management and lifecycle planning, asset operations, monitoring and management of the electrical network, customer and market management, network billing and financial reporting, as well as regulatory and statutory reporting obligations.

System interruptions may result from occurrences such as changes to systems, equipment failure, human error or natural disasters. In addition, our technologies, systems and telecommunication networks are subject to cyber-attacks, including but not limited to, sabotage, criminal or nation-state cyber security threats, computer viruses, malicious code, phishing attacks or information security breaches.

Such interruptions may result in potential loss or interruption of our ICT systems, which are integral to the day-to-day operations and maintenance of our electricity distribution network, which may adversely influence our revenues and damage our reputation with customers. A cyber-attack could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of us and of our suppliers, employees or customers, or otherwise disrupt customers' or other third parties' business operations.

We continue to improve and further strengthen our defence controls and recovery mechanisms, and although to date we have not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Depending on the breach, we may be required to publicly disclose such security breaches under the mandatory data breach notification scheme.

In addition, our long-term growth may be dependent, in part, on new developments and expansions of consumer information and digital technologies within our network. In particular, we are increasing our use of cloud-based technologies to deliver services to our customers.

Our assets may be subject to unplanned outages stemming from extreme weather events, human error, sabotage and terrorist attacks.

Our distribution and transmission network, assets and information technology systems are vulnerable to natural disasters (such as severe weather, floods and earthquakes), human error in operation, sabotage, terrorist attacks or other events which can cause service interruptions to customers, network failures, breakdowns or unplanned outages. Certain events may occur that may affect electricity distribution or transmission lines in a manner that would disrupt the supply of electricity. Any service disruption may cause loss or damage to customers, who may seek to recover damages from us and this could have an adverse effect on our business, results of operations, cash flows and financial condition.

We have experienced extreme weather events in the past that have caused damage to our assets. As a result of global climate changes, extreme weather events (including bushfires, earthquakes, cyclones, wind, tornados, floods, tidal storm surges, heatwaves and dust-storms) of increasing intensity and frequency may occur. Extreme weather events may inhibit our operations by damaging our infrastructure network assets, or increasing the likelihood of fire. The occurrence of extreme weather events in the future may also disrupt electricity generators and their ability to supply electricity to distribution and transmission networks, and may also damage or destroy the facilities of Transgrid's NSW main transmission network. Such extreme weather events, whether affecting our assets or operations, or those of our suppliers, retailers or customers, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Sabotage of, and terrorist acts on, our distribution and transmission network assets and information technology systems could adversely affect our ability to provide the necessary services required by our customers and could damage a third party's property to which our transmission or distribution network is connected. Repairs to correct any damage to assets could be costly and time-consuming and may result in substantial loss of revenues during the period of such repairs. In addition, any service interruption or physical damage may cause loss or damage to customers or third parties who may seek to recover damages from us, which may adversely affect our business, results of operations, financial condition and reputation.

Any delay in the availability of supplies, equipment or personnel necessary to remedy outages stemming from natural disasters, sabotage and terrorist attacks could compound the adverse effects on our business, results of operations, financial condition and reputation.

We depend on land tenure.

Our distribution and transmission infrastructure is primarily constructed and operated on land over which we have easements, leases or statutory or other land tenure. In addition, if we fail to maintain our land tenure rights or are otherwise required to relocate our assets, our business could be adversely affected. Our business could also be negatively impacted if land access costs increase, including through land tax increases, rental increases, renewals of expiring agreements, prevention of easement encroachments or enforcement of our current land access rights. As at the date of this Offering Circular, our land access rights are protected by government legislation that enables the acquisition of property, either through purchase or the provision of access rights, which provides a high level of confidence regarding the access and tenure of the property portfolio. However, while unlikely, there is a possibility that government legislation could be amended which would negatively impact Ausgrid's ability to maintain secure land tenure over the property portfolio.

Our insurance coverage may not adequately cover all risks and liabilities.

We believe that our insurance policies are appropriate and adequate to protect against major operating and other identified risks. We are also required under the Distribution Network Lease to carry insurance in accordance with the terms of the Distribution Network Lease. However, not all risks and liabilities are insurable or insured, and the insurance coverage we maintain may not extend to cover all insurable liabilities and losses. We cannot be certain that insurance coverage for all potential liabilities and losses will be available to us in the future on commercially viable terms. In the event we experience a loss or liability to third parties in the future, the proceeds of an applicable insurance policy may not respond to cover the full actual loss incurred or related liabilities to third parties. Uncovered losses or the payment of a larger deductible may have a negative impact on our business, results of operations, cash flows and financial condition.

The retention of certain employees and skills is vital for our long-term success.

Our continued success is dependent, in part, on our ability to engage, develop and retain the right employees. In the current market, we face a varying supply of skilled workers. When our operations expand or current employees leave, this supply pool could lead to an increase in labour costs or us being unable to attract and retain the employees we need. Additionally, even when new workers are hired, it may take a considerable period of training and time before they are equipped with the requisite skills to work effectively and safely on the inherently dangerous tasks associated with electricity assets.

We also rely on the expertise and service of certain key executives who are supported by senior managers and teams that are well experienced in the day to day running of the business. Although we enter into employment and incentive arrangements to secure the services of key executives, we cannot guarantee the retention of such personnel and there may be temporary impacts due to any movement of these executives over time.

We have a focused workforce and stable operations.

The terms and conditions of employment, including wages, for approximately 87% of our employees is covered by an enterprise agreement. The enterprise agreement was negotiated with our employees and their union representatives and approved by the Fair Work Commission in late 2021 ("**Ausgrid Enterprise Agreement 2021**") and has a nominal expiry date of 1 July 2024.

We could be required to provide additional funding to our legacy retirement defined benefit funds.

We have legacy defined benefit superannuation funds that are funded through a combination of employer and employee contributions, which are invested by an industry superannuation funds manager in equities, bonds and other external assets. The liabilities of these funds reflect the latest salary levels for the defined benefit plan members. The values of such assets are dependent on, among other things, the performance of the equity and debt markets, which are volatile. Any shortfall in the funding obligations may require additional funding from us, thereby increasing our liabilities. At 30 June 2023, the Ausgrid Group had net defined benefit plan assets of A$9 million.

Litigation or adverse regulatory outcomes against us could subject us to costs or reputational harm.

The nature of our business subjects us from time to time to litigation, regulatory actions or similar dispute resolution processes arising from a wide range of possible matters, including commercial claims, contractual claims, intellectual property claims, customer claims, claims for death or personal injury, property damage claims, motor vehicle claims, native title claims, land tenure disputes, environmental claims and prosecutions, claims related to compensation on easements

and other land access issues, occupational health and safety claims, employee claims, privacy and confidentiality claims, and regulatory disputes. Although we do not currently have any material litigation pending or threatened, and many of these possible claims or actions are not unique to our business, any of these possible claims or actions could, if they arise, increase our costs or otherwise adversely impact our assets, business, results of operations, prospects and financial condition. Even if we are ultimately successful in defending claims against us (or in pursuing claims made by us), reputational harm may be inflicted and substantial legal and associated costs may be incurred that may not be recoverable from other parties or offset by our revenue.

In addition, RoR Instruments are subject to judicial review by the Federal Court on limited grounds. Judicial review requires us to establish there has been a legal error in the RoR Instrument. If the AER makes an adverse RoR Instrument with respect to the price or revenue regulation of one or more of our regulated assets, our ability to successfully challenge such an Instrument may be limited, and our business, results of operations and financial condition could be negatively impacted. Further, even in the event we are successful in challenging a RoR Instrument, the protracted nature of the legal appeals process may divert the attention of our management and business from constructive engagement with the AER, be costly and/or have an adverse effect on our business, results of operations and financial condition in the future.

Further advancement and increased utilisation of disruptive technologies hold both threats and opportunities for Ausgrid. Higher numbers of distributed energy sources may reduce electricity consumption and demand from our network while electrification of transport, heating and cooking is likely to have a positive impact on the utility of our network.

The emergence of initiatives designed to reduce greenhouse gas emissions and control or limit the effects of global warming and overall climate change has increased the incentive for the development of new technologies that can produce power, enable more efficient storage of energy or reduce power consumption without needing to draw from or supply to the electricity network. The development and emergence of disruptive technologies offer end customers alternatives to traditional electricity supply which may reduce future electricity consumption and demand from our network. There has been an increase in residential solar generation following state and federal government incentives and significant improvements in battery technology and storage capabilities have the potential to reduce traditional electricity demand by end customers. Advancements in renewable energy sources such as photovoltaic systems and energy storage systems may impact our network demand by providing capacity during peak demand and reducing consumption from the electricity network, as customers increasingly provide their own power through a combination of a photovoltaic system and battery.

In addition, although the electric vehicle market in Australia is currently in its infancy, the popularity of electric vehicles is growing with customer adoption increasing. Supporting policies include A$500 million of federal government funding (e.g. public charging infrastructure investment and smart charging and/or home charging) and A$171 million of NSW government funding (e.g. A$3,000 rebates for the first 25,000 eligible vehicles sold, stamp duty phase out on eligible electric vehicles and fleet incentives). If the current adoption rate of this technology is not monitored and adequately planned for, or if adoption rates are more rapid than expected, the higher short-term demand required to charge the vehicles may adversely affect our network and/or our ability to deliver our services by placing stress on our current network capacity, especially during peaks times.

Further advancement and increased utilisation of disruptive technologies have the potential to reduce electricity consumption and demand from our network. This is particularly pertinent where these technologies lead to a reduced reliance on being connected to the wider network as a primary source of power or as an income source by selling back locally generated electricity. These events may, in conjunction with any change from a revenue cap mechanism to a price cap

mechanism approach to regulation or otherwise, adversely affect our future revenue profile. If this occurs, this may adversely affect our operations, reputation, and our future revenue profile.

The ownership interests of shareholders may change and/or the partnership among our shareholders may not remain aligned to a common purpose.

Following completion of the privatisation (as described under "Business – Our history and our ownership"), the State of NSW retained a 49.6% interest in Ausgrid, AustralianSuper initially held a 25.2% interest in Ausgrid and IFM Investors held a 25.2% interest in Ausgrid. AustralianSuper subsequently sold a 16.8% interest in Ausgrid to APG Asset Management Group.

The partial sale was completed on 27 June 2022 pursuant to a Securities Sale and Purchase Agreement.

Accordingly, as at the date of this Offering Circular, AustralianSuper hold a 8.4% interest in Ausgrid, IFM Investors hold a 25.2% interest in Ausgrid and APG Asset Management Group hold a 16.8% interest in Ausgrid (being a combined 50.4% interest in Ausgrid). The State of NSW holds a 49.6% interest in Ausgrid.

The shareholders have put in place agreements, business practices and policies to manage their interests in the business and their relationship as partners.

Although AustralianSuper, IFM Investors and APG Asset Management Group have a proven track record in their industries, there can be no assurance that the shareholders will continue to remain aligned on the business goals, interests and objectives of the Ausgrid Group. In addition, although there are certain restrictions on future transfers in our Partnership Deeds and, in the case of the State of NSW, certain restrictions in the Electricity Network Assets (Authorised Transactions) Act 2015 No 5 (NSW) and a cap on the aggregate total private sector interest across NSW network service providers, there can be no assurance that the ownership interests will not be subject to further changes. If this were to occur, there can be no assurance that the new party or parties will share our current business goals, interests and objectives.

Where shareholders fail to remain aligned on the business goals, interests and objectives of the Ausgrid Group, or where there are new shareholders who are not similarly aligned, this could have an adverse impact on our business, operations, financial condition, reputation and/or prospects.

In addition to the above, certain of our senior finance documents contain review events or put options in favour of financiers where AustralianSuper and IFM Investors (and, in certain cases, APG Asset Management Group) (between them in aggregate) cease to hold a specified proportion of their combined 50.4% interest in us – the specified proportion is generally at least 50% of that combined interest. If AustralianSuper and IFM Investors (and, in certain cases, APG Asset Management Group) cease to hold such specified proportions between them in aggregate and relevant financiers exercise their rights for such review events or put options, this may result in material amounts of our senior debt becoming due and payable and needing to be refinanced. This could have an adverse impact on our business, operations, financial condition, reputation and/or prospects.

Financial risks which may affect the Issuer's and Guarantor's ability to fulfil its obligations under or in connection with Notes issued under the Programme

Ausgrid is a highly leveraged regulated business and requires the availability of a diverse pool of funding sources for its ongoing refinancing and liquidity needs.

As of 30 June 2023, our total indebtedness was A$11,660 million with a weighted average maturity of 3.9 years. Our reported operating expenditure excluding finance costs and impairment

expenses was A$1,621 million for FY2023 and A$1,566 million, A$1,644 million, A$1,611 million and A$1,589 million for FY2022, FY2021, FY2020 and FY2019, respectively. Our capital expenditures amounted to A$666 million for FY2022 and A$549 million, A$682 million and A$1,059 million for FY2021, FY2020 and FY2019, respectively, and our budgeted capital expenditures for FY2023 and FY2024 are approximately A$818 million and A$807 million, respectively. Since 30 June 2022, we set up new bank facilities (revolver and term) totalling A$1,525 million, under a newly established Common Terms Deed ("**CTD**"). In addition, we issued A$1,488 million in USPP notes which settled in July 2023. The net proceeds from both transactions were used to repay the Syndicated Facility Agreement Term Facility B4, Term Facility B5, a portion of the Capex Facility and the US144A notes which matured on 1 May 2023. See "Business – Recent financing transactions" for further information.

While we currently do not expect to face any material difficulties in procuring long term borrowings to meet our liquidity requirements, there is no assurance that we will continue to be able to do so in the future. We use credit lines with commercial banks and debt issuances in the capital markets. In this context, we depend on the willingness of the banks and bond investors to provide funding. Structural changes in the banking sector and the impact of liquidity and changes in local and global financial markets generally may impact the willingness or ability of banks and bond investors to provide funding to us. In the future, it is expected that a significant portion of our long-term debt will need to be refinanced through foreign currency denominated borrowings and capital raised in international capital markets. Such financing may not be available on terms commercially acceptable to us, especially if global financial markets experience significant turbulence and there is a substantial reduction in liquidity or due to factors beyond our control. If we are unable to obtain financing on commercially acceptable terms on a timely basis, or at all, we may be unable to meet our funding requirements for operating and capital expenditures or debt repayment obligations, which could have a material adverse impact on our business, results of operations, cash flows and financial condition.

Our business is subject to interest rate risk.

Our long-term borrowings may expose us to interest rate risk. Borrowings issued at variable rates expose the business to cash flow interest rate risk. Borrowings issued at fixed rates expose the business to fair value interest rate risk. As at 30 June 2023, 97.6% of our variable borrowings were hedged to fixed interest rates. Risk exposure limits are set to ensure that the business is not exposed to excess risk from interest rate volatility and appropriate hedging strategies are implemented. However, increases in interest rates, either through higher base rates or borrowing margins, may reduce cash flow and profitability.

Currency fluctuations could adversely affect our operating profit.

We are subject to currency fluctuations in relation to the purchase of capital equipment where the price is denominated in a currency other than Australian dollars and borrowings that are denominated in a currency other than Australian dollars. Our functional and presentation currency is Australian dollars. We use forward exchange contracts to hedge 100% of foreign currency risk for all foreign currency denominated borrowings and other foreign exchange exposures that exceed A$2 million. However, there can be no assurance that we will be able to effectively hedge our foreign currency exposure in the future, particularly in periods of significant currency volatility, and/or hedges may prove ineffective, which could, in turn, adversely affect the results of operations, cash flows and financial condition.

The assumptions and forecasts on which we base our investment decisions may not be realised.

From time to time, we may acquire infrastructure and related assets or undertake additional or incremental investment in our existing assets. Any final investment decision places considerable

reliance on many assumptions and forecasts. These assumptions and forecasts (some of which may relate to time periods many years into the future) may ultimately not be realised. If these assumptions and forecasts are not realised or are realised only in part, this may adversely affect our financial condition and performance. In addition, we may be unable to secure further appropriate infrastructure investments on suitable terms, thereby limiting our growth.

The assumptions and forecasts on which we base our investment decisions are subject to regulatory risk.

Over 90% of our revenue is regulated. The AER is the responsible regulator for Ausgrid. Changes to the underlying regulatory framework by the AER may adversely impact our revenue. Changes to macroeconomic assumptions including CPI and forward risk-free rate and swap rate assumptions may also have a negative impact on our revenue.

A downgrade in our credit rating may increase our borrowing costs and impact our ability to access capital markets.

As at the date of this Offering Circular, we have been assigned an investment grade credit rating by both Moody's and S&P. Credit ratings are subject to revision, suspension or withdrawal at any time by the assigning rating agency. Rating agencies may also revise or replace entirely the methodology applied to derive credit ratings. No assurances can be given that a credit rating will remain for any period of time or that a credit rating will not be lowered or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant or if a different methodology is applied to derive that credit rating. Any downgrade could harm our ability to obtain financing or increase our financing costs and could have an adverse effect on the price of the Notes. A downgrade could also cause the instruments governing any future debt to contain more restrictive covenants, which in turn could limit our ability to obtain additional financing or to respond to changes in business, economic or market conditions.

The value of our assets may be assessed to be less than their carrying value.

Where the value of a financial asset (including receivables) is assessed to be less than its carrying value, we recognise an impairment charge in our profit and loss account and reflect it in an allowance account against that financial asset (including receivables). Where the value of a non-financial asset is assessed to be less than its carrying value, we recognise an impairment charge in our profit and loss account, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of the amount of previous revaluation, with any excess recognised through our profit and loss account.

Asset impairment charges may result from the occurrence of unexpected adverse events such as where an asset is considered idle or is physically damaged, general decline in the economic environment, changes in technology, laws or increases in interest rates, all of which may negatively impact our expected performance. Assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. This could result in the recognition of impairment charges that could be significant and could have a material adverse effect on our financial condition and results of operations.

The carrying value of non-financial assets may also be impacted by periodic stocktakes of our property, plant and equipment. If we identify discrepancies between the carrying value of property, plant and equipment and the result of the stocktake, this could result in the recognition of a loss on disposal charge that could have an adverse effect on our results of operations and financial condition.

The value of our RAB is one of the building blocks in the methodology the AER uses to set the revenue allowance to which our SCS services are subject. Currently, the process for determining

the value of the RAB is set out in the NER and involves "rolling forward" the value of the existing RAB by increasing it for actual net capital expenditure throughout the period and decreasing it through regulatory depreciation (based on forecast capital expenditure). There is some scope for the AER to assess whether our capital expenditure over the period was prudent and efficient, and if the AER finds our actual capital expenditure to be inefficient or imprudent, it will not be added to the RAB. In addition, there is no guarantee that regulators or governments will not seek to write-down the value of the RAB, which would require a change to the law, or that any such write-down will not be the subject of review, which could lead to changes in legislation and/or the rules. Any significant reduction of our RAB would adversely impact our results of operations and financial condition.

We are subject to AAS, and any changes to accounting standards and reporting requirements may impact our statements of operations and/or financial condition.

We prepare financial statements in accordance with Australian Accounting Standards ("**AAS**"), which comply with IFRS. Prior to 1 December 2016 and the privatisation (as described under "Business – Our history and our ownership"), we prepared financial statements in accordance with AAS, which complies with IFRS, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2015 and the State Owned Corporations Act 1989, which were audited by the Auditor-General of the State of NSW. Changes to any of the accounting standards and reporting requirements we are subject to in the future may adversely impact our results of operations and financial condition.

Covenants in our senior finance documents limit our flexibility, and breaches of these covenants could materially adversely affect our financial condition.

Some of the Issuer's senior finance documents require the Issuer and the Guarantors to comply with a number of customary financial covenants, such as a cash flow cover ratio test and a gearing test, and other general undertakings. These covenants limit the flexibility in their operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness and the acceleration of such indebtedness. Certain senior finance documents also contain cross-default or cross-acceleration provisions that would permit the financiers thereunder to accelerate indebtedness in the event of a default or acceleration of our other material indebtedness. Any breaches of our covenants could have a materially adverse impact on our financial condition and our ability to pay the interest on, and principal of, the Notes.

Factors which are material for the purpose of assessing the risks associated with Notes issued under the Programme, the Guarantee and the Collateral

The ability of the Trustee to exercise rights on behalf of holders of Notes will be limited in several important respects by the Security Trust Deed and the Intercreditor Deed.

The Security Documents (other than the Security Trust Deed and the Intercreditor Deed) are granted in favour of the Security Trustee, who holds them for the benefit of the secured "Beneficiaries" under and in accordance with the Security Trust Deed and the Intercreditor Deed.

As such, the Trustee will not have any independent power to enforce any of those Security Documents or to exercise any other rights or powers arising under them except through the Security Trustee and the Intercreditor Agent as provided in the Security Trust Deed and the Intercreditor Deed.

The Intercreditor Deed contains a detailed regime which restricts the taking of enforcement action and acceleration action by secured Beneficiaries. See "*Description of the security and intercreditor arrangements – How the Intercreditor Agent acts – Acceleration and enforcement action*". This regime prescribes certain standstill periods on the taking of acceleration action by an

instructing group of secured Beneficiaries, as well as standstill periods on the ability of that instructing group to instruct the taking of enforcement action under the Security Documents by the Security Trustee.

It may be difficult for holders of the Notes to enforce their rights under the Notes, the Guarantee, the Security Trust Deed and the Intercreditor Deed and the other Security Documents as holders do not have the unilateral right to enforce their rights under the Notes after a default.

At the establishment of the Programme, the Trustee acceded to the Intercreditor Deed as a "Debt Representative" (as representative for the holders of the Notes as "Noteholders") and the Trustee and the holders of the Notes automatically became secured Beneficiaries under the Security Trust Deed. As the appointed representative for holders of Notes, the Trustee will have the sole power to take any actions on behalf of the holders of the Notes under and subject to the Security Trust Deed and the Intercreditor Deed. Consequently, the holders of the Notes will not have a unilateral right to declare an event of default, to accelerate the Notes after an event of default or to instruct the Security Trustee to take any actions under the Security Documents or to consent to any matter relating to such documents or the collateral securing the Notes. The Trustee will have no obligation to provide any such instruction or consent unless directed to do so by the holders of a requisite majority for such matters determined in accordance with the Trust Deed.

Holders of Notes may not have the requisite two-thirds majority to control voting and consents that are subject to the Security Trust Deed and the Intercreditor Deed.

Holders of the Notes may not constitute the requisite two-thirds majority of the Issuer's secured Beneficiaries, and as such may be unable to instruct action in relation to, obtain an amendment to, or grant a waiver under, any senior finance document to which the Security Trustee or Intercreditor Agent is a party that requires the Security Trustee or the Intercreditor Agent to obtain the instructions of such two-thirds majority before acting. However, this does not limit the matters described above and below in relation to acceleration action and enforcement action. See "*Description of the security and intercreditor arrangements – How the Intercreditor Agent acts – Acceleration and enforcement action*".

In addition, if the Security Trustee or the Intercreditor Agent requests instructions from secured Beneficiaries, the Trustee may be unable to provide instructions to the Security Trustee or the Intercreditor Agent within the required time frames, which may result in holders of the Notes being unable to vote on the matters on which the Security Trustee or the Intercreditor Agent has requested instructions under the Security Trust Deed or the Intercreditor Deed. Decision periods for instructions may not be less than 15 business days, except in the case of an urgent matter. If the Trustee does not provide instructions within the applicable decision period, the holders of the Notes will be deemed to have no principal outstanding under the Notes for the purposes of voting on the relevant matter under the Security Trust Deed or the Intercreditor Deed.

The Notes are guaranteed by the Guarantors and if they are unable to pay the amounts required under the Guarantee, Holders of the Notes may not receive the benefits of the Guarantee.

The Notes are guaranteed by the Guarantors pursuant to the Guarantee under the Trust Deed and the existing guarantee contained in the Security Trust Deed ("**Existing Guarantee**") and secured by the existing security structure which also secures the other secured indebtedness of the Issuer. See "*Description of the security and the intercreditor arrangements*" for further information regarding the existing security structure. It is possible that the Guarantors, individually or collectively, may not have the financial resources or liquidity to pay the amounts required under the Guarantee. If any or all of the Guarantors' financial condition deteriorates, it is possible that the Issuer may not have the resources or liquidity to pay the amounts required under the Notes

and the Guarantors, individually or collectively, may not have the financial resources or liquidity to pay the amounts required under the Guarantee. Consequently, investors in the Notes may suffer direct and materially adverse consequences.

The requirements of the Security Trustee to act are limited in certain respects.

Under the Intercreditor Deed, the Security Trustee and the Intercreditor Agent have the benefit of an indemnity from each secured Beneficiary (ratably in accordance with its exposure) against any loss or liability suffered or incurred by the Security Trustee or Intercreditor Agent (as applicable) as a result of, among other things, the performance or purported performance of its duties under the Security Documents and other relevant finance documents and all actions, proceedings, costs, claims and demands arising in relation to any relevant finance document. Under the Security Trust Deed, the Security Trustee is indemnified out of the assets of the security trust in respect of all liabilities it incurs in acting as Security Trustee.

The Trustee is only obliged to indemnify the Intercreditor Agent or the Security Trustee under the Intercreditor Deed or the Security Trust Deed if and to the extent that it retains and is entitled to retain amounts for and on behalf of the holders of the Notes. The Trustee is not liable to indemnify the Security Trustee or Intercreditor Agent out of its own funds.

The Security Trustee's obligation to commence any enforcement action may, at the Security Trustee's discretion, be subject to the granting of a suitable indemnity. If such indemnity was not provided, the Security Trustee may not proceed with enforcement action, which would materially adversely affect the holders of the Notes.

In some situations, the Issuer and the Guarantors may dispose of the collateral securing the Notes and such collateral may subsequently be released by the Security Trustee.

Where a disposal is permitted under the terms and conditions of the Notes and the Issuer's other senior finance documents, the Security Trustee is required to release the collateral, which may result in a decrease in the value of the collateral securing the Notes.

Any future security interest over collateral may be voidable.

Any future security interest over collateral in favour of the Security Trustee might be voidable by a liquidator of the grantor if certain events or circumstances exist or occur, including, among others, if the granting of the security interest is deemed a fraudulent conveyance or transfer; if the grantor is insolvent at the time of the granting of, or at the time an act was done to give effect to, the security interest; if the grantor became insolvent as a result of the entry into (or giving effect to) the transaction; or if the granting of the security interest permits the holders of the Notes to receive a greater recovery than if the security interest had not been given and a winding-up proceeding (including as deemed under Pt 5.6 of the Corporations Act) in respect of the grantor is commenced within six months following the granting of the security interest or, in certain circumstances, a longer period.

If the Issuer defaults on the Notes, or any Guarantor defaults on the Guarantee or other amounts owing with respect to the Notes, your right to receive payments on the Notes or the Guarantee may be materially adversely affected by Australian insolvency laws which are different from the insolvency laws of other jurisdictions.

We are organised under the laws of Australia and, therefore, insolvency with respect to us would likely proceed under, and be governed by, Australian insolvency law, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law or the insolvency laws of other jurisdictions with which the Holders of the Notes may be familiar. If the Issuer or another Relevant Entity becomes insolvent or otherwise becomes subject to external

administration, the treatment and ranking of holders of the Notes, other of our creditors and shareholders under Australian insolvency law may be different from the resulting treatment and ranking if they were subject to the bankruptcy laws of other jurisdictions.

Fraudulent conveyance laws or similar provisions or principles have also been enacted or exist for the protection of creditors in a number of jurisdictions, including Australia, and upstream or sister guarantees (including the Guarantee) and covenants to pay may be subject to claims that they should be subordinated or avoided in favour of other creditors of the Relevant Entities. To the extent that the Guarantee or any guarantee or covenant to pay in the Security Documents is voided as a fraudulent conveyance, voidable transaction or otherwise held to be unenforceable, your claim against the applicable Relevant Entity could be lost or limited, and you could be required to return payments previously received from any such Relevant Entity.

Under Australian law, if a liquidator was appointed to a Relevant Entity, the liquidator would have the power to investigate the validity of past transactions and commence proceedings seeking various court orders in relation to those transactions, including orders declaring certain transactions entered into prior to the winding up of such Relevant Entity to be void and for the repayment of money. Instances where a liquidator can seek such orders include where transactions constituted unfair loans, unreasonable director-related transactions, or transactions entered into within a specified period before the winding up that a court finds were entered into, or acts were done, when the company was insolvent or the company became insolvent as a result and were uncommercial transactions or transactions entered into that had the effect of preferring a creditor or creditors, or otherwise defeating, delaying or interfering with the rights of creditors, or a creditor-defeating disposition of property.

In addition to the matters described above, under the laws of Australia and other relevant jurisdictions the Guarantee and guarantees and covenants to pay in the Security Documents may be set aside, subordinated or otherwise avoided by the application of fraudulent conveyance, voidable transaction, financial assistance, bankruptcy, insolvency and administration, statutory management, equitable subordination principles or other similar provisions or principles existing under the laws of Australia or the relevant jurisdiction, including as a result of the application of laws in relation to the duties of directors to act in good faith and for proper purposes. In addition, other debts and liabilities of the Relevant Entity, such as certain employee entitlements or an external administrator's indemnity for expenses and remuneration, may rank ahead of claims under the Notes and the Guarantee and guarantees and covenants to pay in the Security Documents in the event of external administration or insolvency or statutory management or similar proceedings. If one or more of the Guarantee or guarantees or covenants to pay in the Security Documents are set aside or otherwise avoided, your claim against the Relevant Entity giving the Guarantee and guarantees and covenants to pay could be lost or limited and it is possible that you may only have a claim against the Issuer and any remaining Relevant Entity.

It should also be noted that "ipso facto" legislation in Australia provides that enforcement of certain rights against a company under a contract, agreement or arrangement (such as a right entitling a creditor to terminate the contract or to accelerate payments or providing for automatic acceleration) are stayed for a certain period of time, if the right for enforcement arises for the reason that the company is in voluntary administration, or a managing controller (including a receiver) is appointed over the whole or substantially the whole of a company's property, or the company is, or announces that it will be applying to be, subject to a creditors' scheme of arrangement, or that it relates to the company's financial position during any of those proceedings. The specified proceedings do not include liquidation.

The legislation provides for certain types of contracts and contractual rights to be excluded from the "ipso facto" regime by regulations and declaration. The list of excluded contracts includes, among other, contracts, agreements or arrangements that are, or govern, securities, financial products, bonds or promissory notes. If the Notes are not excluded from the operation of the "ipso

facto" regime, then during any "stay period" as described above, this may render unenforceable in Australia provisions of the Notes conditional merely on the occurrence of events giving rise to the "ipso facto" rights.

Certain limitations on remedies and other claims with priority over claims of holders of Notes could materially adversely affect the rights of security holders in insolvency proceedings.

The right of the Security Trustee to enforce and sell the collateral securing the Notes upon the occurrence of a default will be subject to limitations under applicable law. For example, in the event of a voluntary administration, some or all of the Security Trustee's enforcement rights may be affected (such as being prevented from enforcing a security interest except with the consent of the administrator or leave of the court).

The *Personal Property Securities Act 2009* (Cth) of Australia (the "**PPSA**") establishes a national system for the registration of security interests, and a system of priority and other provisions that affect most collateral other than land. Among other things, security interests perfected by control over financial assets like bank accounts (even where they are not registered), purchase money security interests (which can include asset financing security, leases of goods and retention of title arrangements) registered as such, subject to limited exceptions, rank in priority over prior secured interests regardless of notice. Under the PPSA, third parties may purchase or lease items of collateral free of the security interest in various ways, including by any sale or lease carried on in the grantor's ordinary course of business. However, if this happens, the secured party retains a security interest in the proceeds of that sale or lease. Prohibitions on disposal are not effective against third party buyers.

In relation to security over land, where such security is a registered Torrens title security interest, its priority will be subject to any interest noted on the title register before registration of the security interest. It is also subject to claims that may have obtained priority by virtue of applicable law that may affect the priority of the security interest. For example, liens arising by operation of law or charges or liens arising under statute over the relevant property (including, without limitation, local government rates and land taxes applicable to real property) may have priority over the security interest.

Proceeds from any sale of the collateral upon enforcement may be insufficient to repay the Notes in full.

The Issuer cannot assure you that the net proceeds from a sale of the collateral securing the Notes would be sufficient to repay principal and accrued interest on the Notes following a foreclosure upon the collateral or a liquidation of our assets. The value of the collateral and the amount to be received by the holders of Notes upon a sale of the collateral will depend upon many factors including, among others, the quantum of other secured indebtedness existing at the time, the condition of the collateral, the ability to sell the collateral in an orderly sale, the condition of the international, national and local economies, the availability of buyers and similar factors. The book value of the collateral should not be relied on as a measure of realisable value for these assets. By their nature, portions of the collateral may be illiquid and may have no readily ascertainable market value.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio. Each potential investor should consult its legal advisers to determine whether and to what extent:

- Notes are legal investments for it;

- Notes can be used as collateral for various types of borrowing; and

- other restrictions apply to its purchase or pledge of any Notes.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Reliance on the Guarantee

The Notes are guaranteed pursuant to the Guarantee. If any or all of the Guarantors' financial condition deteriorates, it is possible that the Issuer may not have access to the resources or liquidity to pay the amounts required under the Notes and the Guarantors, individually or collectively, may not have the financial resources or liquidity to pay the amounts required under the Guarantee. Consequently, investors in the Notes may suffer direct and materially adverse consequences.

In certain circumstances Guarantors may be released from their obligations under the Guarantee

A Guarantor may, at the option of the Issuer, be released from liability under the Guarantee if:

- the applicable Guarantor will not, upon release of its obligations under the Guarantee and any other obligations released concurrently with such release, provide a guarantee or be an obligor or co-obligor, with respect to any Material Financial Indebtedness; and

- no default or Event of Default exists in respect of the applicable Notes,

as set out more fully in Condition 3 (*Guarantee and Status*) and the Trust Deed.

In the circumstances above the released Guarantor shall cease to be a Guarantor and to be bound by, or have any obligations or liability under, the Guarantee, and all such obligations and liabilities will be discharged.

The members of the Group that act as Guarantors from time to time may change without the consent of the Noteholders provided that the requirements in Condition 3 (*Guarantee and Status*) and the Trust Deed are satisfied.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest or less interest than expected;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and

- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes may have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the Euro Interbank Offered Rate ("**EURIBOR**"), the Sterling Overnight Index Average ("**SONIA**") or the Secured Overnight Financing Rate ("**SOFR**"). The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Notes linked to "benchmarks" (including Floating Rate Notes)

The Programme allows for the issuance of Notes that reference certain interest rates or other types of rates or indices which are deemed to be "benchmarks", including EURIBOR, SONIA and SOFR. These benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are yet to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark.

More broadly, any of the international reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The potential elimination of benchmarks, the establishment of alternative reference rates or changes in the manner of administration of a benchmark could also require adjustments to the terms of benchmark-linked securities and may result in other consequences, such as interest payments that are lower than, or that do not otherwise correlate over time with, the payments that would have been made on those securities if the relevant benchmark was available in its current form.

The Conditions contain fallback provisions in the event that a published benchmark, such as EURIBOR, SONIA or SOFR (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, however the potential elimination of a benchmark, or changes in the manner in which a benchmark is administered, could result in discrepancies (which may include payment of a lower interest rate) in the rates calculated according to the Conditions and those based on any substitute or alternate benchmark that has become the market standard. Any such consequence could have a material adverse effect on the value and marketability of, and return on, any Notes linked to any such benchmark.

In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of a Calculation Agent (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessments about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The market continues to develop in relation to risk-free rates (including overnight rates) as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to risk-free rates, such as SONIA, SOFR, the Euro Short-term Rate ("**€STR**"), the Reserve Bank of Australia Interbank Overnight Cash Rate ("**AONIA**"), the Swiss Average Rate Overnight ("**SARON**") and the Tokyo Overnight Average Rate ("**TONA**") (together, the "**Alternative Reference Rates**") as reference rates in the capital markets for notes denominated in the corresponding currencies to which they relate, and their adoption as alternatives to existing reference rates. In particular, market participants and relevant working groups are exploring alternative reference rates based on risk-free rates, including term SONIA, SOFR and €STR reference rates (which seek to measure the market's forward expectation of an average SONIA, SOFR or €STR rate over a designated

term). The adoption of such risk-free rates may also see component inputs into swap rates or other composite rates transferring from existing reference rates to Alternative Reference Rates.

The market, or a significant part thereof, may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Notes referenced to such a reference rate under the Programme. Furthermore, the Issuer may in the future issue Notes referencing such risk-free rates that differ materially in terms of interest determination when compared with any previous Notes issued by it under the Programme. The nascent development of risk-free rates as an interest reference rate for the Eurobond markets, as well as continued development of Alternative Reference Rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any such Notes issued under the Programme from time to time.

In addition, the manner of adoption or application of risk-free reference rates in the Eurobond markets may differ materially compared with the application and adoption of such rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any potential inconsistencies between the adoption of the risk-free reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such rates.

Since risk-free rates are relatively new in the market, there may be no established trading market for Floating Rate Notes linked to such rates when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities referencing the Alternative Reference Rates and/or any other risk-free rate, such as the spread over the reference rate reflected in the interest rate provisions, may evolve over time, and trading prices of such debt securities may be lower than those of later issued debt securities as a result. Furthermore, such risk-free rates have a limited performance history and the future performance of such risk-free rates is impossible to predict. As a consequence no future performance of the relevant risk-free rate or Notes that reference such risk-free rate may be inferred from any of the hypothetical or actual historical performance data. In addition, if such risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to the Alternative Reference Rates and/or any other risk-free rate may be lower than those of Notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The amount of interest payable with respect to each Interest Period will only be determined near the end of the Interest Period for Notes which reference certain Alternative Reference Rates.

The Rate of Interest on Floating Rate Notes referencing Alternative Reference Rates including SONIA, SOFR, €STR, AONIA, SARON and TONA is only capable of being determined at the end of the relevant Observation Period (as defined in Condition 5) or immediately prior to the relevant Interest Payment Date. Therefore, holders of any such Floating Rate Notes will not know the amount of interest payable with respect to each Interest Period until shortly prior to the related Interest Payment Date and it may be difficult for investors in any such Floating Rate Notes to estimate reliably the amount of interest which will be payable on each such Interest Payment Date at the beginning of or during the relevant Interest Period. In addition, some investors may be unable or unwilling to trade such Floating Rate Notes without changes to their information technology systems, both of which factors could adversely impact the liquidity of such Floating Rate Notes. Further, if Floating Rate Notes referencing certain Alternative Reference Rates become due and payable as a result of an Event of Default under Condition 10, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final rate of interest payable

in respect of such Floating Rate Notes shall only be determined by reference to a shortened period ending immediately prior to the date on which the Floating Rate Notes become due and payable.

There can be no assurance that the risk-free rates will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of Noteholders.

The administrators of Alternative Reference Rates base such rates on data received from sources other than the Issuer. The Issuer has no control over the determination, calculation or publication of the relevant risk-free rate. The administrator of the relevant risk-free rate may make changes that could change the value of such Alternative Reference Rate, or discontinue such Alternative Reference Rate, and has no obligation to consider the interests of the Noteholders in doing so. Each administrator of an Alternative Reference Rate may make methodological or other changes that could change the value of the relevant risk-free rate, including changes related to the method by which the rate is calculated, eligibility criteria applicable to the transactions used to calculate the relevant risk-free rate, or timing related to the publication of the rate. In addition, the respective administrators of any Alternative Reference Rates may alter, discontinue or suspend calculation or dissemination of such Alternative Reference Rates (in which case a fallback method of determining the interest rate on any Notes referencing such Alternative Reference Rates will apply, as further described in the Conditions).

There can be no assurance that any Alternative Reference Rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of holders of Notes referencing such Alternative Reference Rates. If the manner in which the relevant risk-free rate is calculated is changed, that change may result in a reduction of the amount of interest payable on any respective Notes, which may adversely affect the trading prices of such Notes. If the rate at which interest accrues on any such Notes for any Interest Period declines to zero or becomes negative, no interest will be payable on such Notes on the Interest Payment Date for such Interest Period. The administrator of each Alternative Reference Rate has no obligation to consider the interests of Noteholders in calculating, adjusting, converting, revising or discontinuing such Alternative Reference Rate. In addition, the administrator of any Alternative Reference Rate may withdraw, modify or amend the published rate or other data, in its sole discretion and without notice.

The Rate of Interest on certain SONIA-linked Notes and certain SOFR-linked Notes will be based on a compounded average of daily SONIA and SOFR, respectively, which are relatively new in the marketplace and may be determined by reference to the SONIA Compounded Index or the SOFR Index, respectively, a relatively new market index.

The interest rate on any Floating Rate Notes referencing Compounded Daily SONIA or compounded SOFR-linked Notes is based on a compounded average of daily SONIA or daily SOFR, respectively and not on daily SONIA or SOFR rate published on or in respect of a particular date during such Interest Period. Each of the SONIA Compounded Index and the SOFR Index measures the cumulative impact of compounding SONIA or SOFR, respectively, on a unit of investment over time. The value of the SONIA Compounded Index or the SOFR Index on a particular business day reflects the effect of compounding SONIA or SOFR, respectively, on such business day and allows the calculation of Compounded Daily SONIA or SOFR averages, as applicable, over custom time periods. For this and other reasons, the Rate of Interest on Floating Rate Notes referencing Compounded Daily SONIA or compounded SOFR-linked Notes during any Interest Period will not be the same as the interest rate on other SONIA or SOFR-linked investments that use an alternative basis to determine the applicable interest rate. Further, if the SONIA or SOFR rate in respect of a particular date during an Interest Period is negative, its contribution to the relevant compounded rate will be less than one, resulting in a reduction to such compounded rate used to calculate the interest payable on any Floating Rate Notes referencing Compounded Daily SONIA or compounded SOFR-linked Notes on the interest payment date for such Interest Period.

Limited market precedents exist for securities that use SONIA or SOFR as the interest rate and the method for calculating an interest rate based upon SONIA or SOFR in those precedents varies. In addition, the Bank of England and the Federal Reserve Bank of New York ("**FRBNY**") only began publishing the SONIA Compounded Index and the SOFR Index, respectively, recently. Accordingly, the specific formulas for Compounded Daily SONIA and Compounded Daily SOFR set out in the Conditions and the use of the SONIA Compounded Index or SOFR Index for the purposes of calculating Compounded Daily SONIA or Compounded SOFR Index, respectively, may not be widely adopted by other market participants, if at all. If the market adopts a different calculation method that would likely adversely affect the market value of any respective SONIA-linked Notes or SOFR-linked Notes.

The SONIA Compounded Index or SOFR Index may be modified or discontinued, which could adversely affect the value and market price of any Floating Notes that reference Compounded Daily SONIA or SOFR where Compounded SOFR Index is specified as being applicable in the relevant Pricing Supplement.

The SONIA Compounded Index and the SOFR Index are published by The Bank of England and the FRBNY, respectively, based on data received by them from sources other than the Issuer, and the Issuer has no control over their methods of calculation, publication schedule, rate revision practices or the availability of the SONIA Compounded Index or SOFR Index at any time. There can be no guarantee, particularly given its relatively recent introduction, that the SONIA Compounded Index or the SOFR Index will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in any Floating Rate Notes referencing Compounded Daily SONIA or Floating Rate Notes referencing SOFR where Compounded SOFR Index is specified as being applicable in the applicable Pricing Supplement. If the manner in which the SONIA Compounded Index or the SOFR Index is calculated, including the manner in which SONIA or SOFR, respectively, is calculated, is changed, that change may result in a reduction in the amount of interest payable on any Floating Rate Notes referencing Compounded Daily SONIA or Floating Rate Notes referencing SOFR where Compounded SOFR Index is specified as being applicable in the applicable Pricing Supplement and the trading prices of such Notes. In addition, the Bank of England or the FRBNY may withdraw, modify or amend the published SONIA Compounded Index or SOFR Index, respectively, or other SONIA or SOFR data in its sole discretion and without notice. The interest rate for any Interest Period will not be adjusted for any modifications or amendments to the SONIA Compounded Index or the SOFR Index or other SONIA or SOFR data that the Bank of England or the FRBNY may publish after the interest rate for that Interest Period has been determined.

Alternative Reference Rates may be more volatile than other benchmarks or market rates.

Since the initial publication of SOFR, daily changes in SOFR have, on occasion, been more volatile than daily changes in other benchmark or market rates. Although changes in compounded SOFR generally are not expected to be as volatile as changes in daily levels of SOFR, the return on and value and market price of compounded SOFR-linked Notes may fluctuate more than floating rate securities that are linked to less volatile rates. In addition, the volatility of SOFR has reflected the underlying volatility of the overnight U.S. Treasury repo market. The FRBNY has at times conducted operations in the overnight U.S. Treasury repo market in order to help maintain the federal funds rate within a target range. There can be no assurance that the FRBNY will continue to conduct such operations in the future, and the duration and extent of any such operations is inherently uncertain. Similar considerations may also apply in respect of other Alternative Reference Rates. The effect of any such operations, or of the cessation of such operations to the extent they are commenced, is uncertain and could be materially adverse to investors in Notes linked to such Alternative Reference Rates.

Any failure of any risk-free rate to gain market acceptance could adversely affect Notes linked to Alternative Reference Rates.

According to the Alternative Reference Rates Committee, SOFR was developed for use in certain U.S. dollar derivatives and other financial contracts as an alternative to U.S. dollar LIBOR in part because it is considered a good representation of general funding conditions in the overnight U.S. Treasury repurchase agreement market. However, as a rate based on transactions secured by U.S. Treasury securities, it does not measure bank-specific credit risk and, as a result, is less likely to correlate with the unsecured short-term funding costs of banks. Similar considerations apply in respect of SONIA and may apply in respect of other Alternative Reference Rates. This may mean that market participants would not consider SOFR, SONIA or any other relevant Alternative Reference Rate a suitable replacement or successor for all of the purposes for which U.S. dollar LIBOR, Sterling LIBOR or any other relevant reference rate historically has been used (including, without limitation, as a representation of the unsecured short-term funding costs of banks), which may, in turn, lessen market acceptance of SOFR, SONIA or such other Alternative Reference Rate. Any failure of SOFR, SONIA or any other Alternative Reference Rate to gain market acceptance could adversely affect the return on and value and market price of Floating Rate Notes which reference SONIA, SOFR or any other Alternative Reference Rate and the price at which investors can sell such Notes in the secondary market.

Issues with respect to a Series of compounded SOFR-linked Notes using the payment delay convention or a convention for which a SOFR Rate Cut-Off Date is applicable.

With respect to a Series of compounded SOFR-linked Notes using the payment delay convention or a convention for which a SOFR Rate Cut-Off Date is applicable, because daily SOFR in respect of a given day is not published until the U.S. Government Securities Business Day immediately following such day, it will not be possible to calculate accrued interest with respect to any period until after the end of such period or the SOFR Rate Cut-Off Date, as applicable, which may adversely affect investors' ability to trade such Notes in the secondary market.

Separately, the formula used to determine the base rate for compounded SOFR-linked Notes using the payment delay convention employs a SOFR Rate Cut-Off Date for the final Interest Period with respect to such Notes. For such final Interest Period, daily SOFR as used in the calculation of compounded SOFR for any day from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or any earlier redemption date, if applicable, will be daily SOFR in respect of the SOFR Rate Cut-Off Date. The SOFR Rate Cut-Off Date will be the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement prior to the Maturity Date or any earlier redemption date, if applicable.

In addition, the formula used to determine the base rate for compounded SOFR-linked Notes using any convention for which a SOFR Rate Cut-Off Date is applicable may employ such SOFR Rate Cut-Off Date, if so specified in the applicable Pricing Supplement, for each Interest Period with respect to such Notes.

As a result of the foregoing, a holder of a series of compounded SOFR-linked Notes using the payment delay convention or a convention for which a SOFR Rate Cut-Off Date is applicable will not receive the benefit of any increase in the level of SOFR on any date subsequent to the applicable SOFR Rate Cut-Off Date in connection with the determination of the interest payable with respect to the final Interest Period for an applicable Series of compounded SOFR-linked Notes using the payment delay convention or with respect to each interest period for an applicable series of compounded SOFR-linked Notes employing a SOFR Rate Cut-Off Date convention. This could reduce the amount of interest that may be payable on such Notes.

Holders of a Series of compounded SOFR-linked Notes using the payment delay convention will receive payments of interest on a delayed basis.

The Interest Payment Dates for any Series of compounded SOFR-linked Notes using the payment delay convention with respect to interest rate determination and interest payments will be two business days (or such other number of business days as specified in the applicable Pricing Supplement) after the interest period end date at the end of each Interest Period for such Notes. This convention differs from the interest payment convention that has been used historically for Floating Rate Notes with interest rates based on other benchmark or market rates, where interest typically has been paid on a fixed day that immediately follows the final day of the applicable Interest Period. As a result, holders of a Series of compounded SOFR-linked Notes using the payment delay convention will receive payments of interest on a delayed basis as compared to Floating Rate Notes in which they previously may have invested.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Trust Deed, the Agency Agreement, any other Programme Document or a Security Document that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders or (ii) any modification to the provisions of the Notes, the Trust Deed, the Agency Agreement, any other Programme Document or a Security Document which is of a formal, minor or technical nature or to correct a manifest error, or (iv) the substitution of the Issuer's successor in business or any Subsidiary (as defined in the Terms and Conditions of the Notes) of the Issuer or a Guarantor's successor in business of any Subsidiary of a Guarantor as principal debtor or guarantor, respectively, under any Notes in place of the Issuer, in the circumstances described in Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (as described in the applicable Pricing Supplement) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant

time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Trustee's actions

In certain circumstances (including the giving of notice to the Issuer and the Guarantors pursuant to Condition 10 (*Events of Default*)), the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Even if the Noteholders agree to indemnify and/or provide security to and/or pre-fund the Trustee, the time taken to agree the indemnity and/or security and/or pre-funding may impact on when such actions are taken.

The Trustee may decline to take action requested by the Noteholders, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations and to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and the Guarantors will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantors to make payments in respect of the Notes or the Guarantee. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantors or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks related to clearing systems

Where the Global Notes are lodged for clearance in and/or held by or on behalf of a Clearing System, investors will have to rely on the procedures of the relevant Clearing System for transfer, payment and communication with the Issuer.

Notes (other than uncertificated Registered Notes) may be represented by one or more Global Notes. Such Global Notes may be deposited with a common depositary for one or more Clearing Systems ("**Common Depositary**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Each Clearing System will maintain records of beneficial interests in, or rights in respect of, Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to transfer their beneficial interests in, or rights in respect of, a Global Note only through the relevant Clearing System.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under such Notes by making payments to or to the order of the Common Depositary for distribution to the account holders in the relevant Clearing System(s). A person holding a beneficial interest in, or rights in respect of, a Global Note must rely on the applicable rules, regulations and procedures of the relevant Clearing System to receive payments under the relevant Notes. The Obligors have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in, or rights in respect of, Global Notes.

A person holding a beneficial interest in, or rights in respect of, the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such persons will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by an amended and restated Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 28 September 2023 between the Issuer, the Guarantors (as defined in the Trust Deed), and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below).

The Notes, the Receipts and the Coupons have the benefit of (A) the guarantee given by the Guarantors pursuant to and on the terms of the Guarantee and (B) the security pursuant to the terms of the Security Documents, the Security Trust Deed and the Intercreditor Deed.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An amended and restated Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 28 September 2023 has been entered into in relation to the Notes between the Issuer, the Guarantors, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are (i) available during usual business hours (being between 9:00 a.m. and 3:00 p.m. (London time), Monday to Friday, excluding public holidays) to the Noteholders from the principal office of the Trustee (presently at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom) and from the specified offices of the Paying Agents and the Transfer Agents; or (ii) available electronically via email from the Trustee, upon prior written request and satisfactory proof of holding.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

In these Conditions, unless the context otherwise requires, capitalised terms shall have the meanings set out in the Trust Deed. In addition, the following terms shall have the following meanings:

"**AER**" means the Australian Energy Regulator.

"**APG Associate Entity**" means:

(a) any member of the APG Group; and

(b) any investment vehicle (whether a company, trustee, management investment scheme, partnership, pension fund or other entity and whether or not by way of one or more entities or interposed holding entities) whose investment in the Obligors is managed or advised on a day to day basis pursuant to a continuing bona fide written management agreement, advisory agreement, power of attorney or other arrangement with similar effect (whether discretionary or non-discretionary) by a member of the APG Group.

"**APG Group**" means:

(a) APG Asset Management N.V. or its successor; and

(b) any person directly or indirectly Controlled by APG Asset Management N.V. or its successor.

"**APP Partner**" means each Initial APP Partner and each New APP Partner, unless such entity has ceased to be a partner in the Aurora Property Partnership and an Obligor in accordance with the Finance Documents.

"**APP Partner Trust**" means:

(a) Blue Aurora Partner Trust;

(b) ERIC Alpha APP Trust 1;

(c) ERIC Alpha APP Trust 2;

(d) ERIC Alpha APP Trust 3;

(e) ERIC Alpha APP Trust 4; or

(f) any New APP Partner Trust,

unless the relevant APP Partner Trustee in its capacity as trustee of the relevant APP Partner Trust has ceased to be a partner in the Aurora Property Partnership and an Obligor in accordance with the Finance Documents.

"**APP Partner Trustee**" means each of the following entities in its personal capacity and as trustee of the relevant APP Partner Trust:

(a) the Blue Aurora Partner;

(b) the ERIC Alpha APP Trustee 1;

(c) the ERIC Alpha APP Trustee 2;

(d) the ERIC Alpha APP Trustee 3;

(e) the ERIC Alpha APP Trustee 4; or

(f) each New APP Partner Trustee,

unless the relevant APP Partner Trustee in its capacity as trustee of the relevant APP Partner Trust has ceased to be a partner in the Aurora Property Partnership and an Obligor in accordance with the Finance Documents.

"APP Partnership Deed" means the partnership deed dated 27 April 2023 executed by executed by each Initial APP Partner, as amended, supplemented or otherwise modified from time to time.

"**Asset Group**" means the Network Asset Partnership and any body corporate that would be a Subsidiary of the Network Asset Partnership if the Network Asset Partnership was a body corporate for the purposes of Part 1.2 Division 6 of the Corporations Act (excluding any Excluded Subsidiary).

"**Associate Entity**" means (a) an AustralianSuper Associate Entity, (b) an IFM Associate Entity and (c) an APG Associate Entity.

"**Aurora Group**" means the Aurora Property Partnership and any body corporate which would be a Subsidiary of the Aurora Property Partnership if the Aurora Property Partnership was a body corporate for the purposes of Part 1.2 Division 6 of the Corporations Act (excluding any Excluded Subsidiary).

"**Aurora Property Partnership**" means the Australian partnership known as the "Aurora Property Partnership" constituted under the APP Partnership Deed and carried on by each APP Partner.

"**Australian Tax Act**" means the Income Tax Assessment Act 1936 of Australia or the Income Tax Assessment Act 1997 of Australia, or both, as the context requires.

"**AustralianSuper**" means the Superannuation Fund operating under the name "AustralianSuper".

"**AustralianSuper Associate Entity**" means:

(a) any member of the AustralianSuper Group; and

(b) each of (a) any successor Superannuation Fund to the AustralianSuper Sponsor and (b) any successor Fund Manager of the AustralianSuper Sponsor or its successor Superannuation Fund, in each case resulting from an amalgamation, demerger, merger or corporate reconstruction of the AustralianSuper Sponsor or of the manager, custodian or trustee of AustralianSuper.

"**AustralianSuper Group**" means (1) the AustralianSuper Sponsor and (2) any direct or indirect Subsidiary of the AustralianSuper Sponsor.

"**AustralianSuper Sponsor**" means AustralianSuper Pty Ltd (ACN 006 457 987) in its capacity as trustee for AustralianSuper.

"**Authorisation**" means:

(a) any consent, authorisation, registration, filing, lodgment, agreement, resolution, notarization, certificate, permission, license, approval, authority or exemption required by a Governmental Agency or any law; or

(b) in relation to anything that will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after lodgment, filing, registration or notification, the expiration of such period without intervention or action.

It does not include any registration under the PPSA or any similar security registration which can be effected by the Security Trustee.

"**Blue Asset Hold Trust**" means an Australian unit trust known as "Blue Asset Hold Trust" constituted under the Blue Asset Hold Trust Deed.

"**Blue Asset Hold Trust Deed**" means the trust deed dated 14 October 2016 executed by Blue Asset HoldCo, as amended, supplemented or otherwise modified from time to time.

"**Blue Asset HoldCo**" means Blue Asset HoldCo Pty Ltd (ACN 615 226 545).

"**Blue Asset Partner**" means Blue Asset Partner Pty Ltd (ACN 615 217 493).

"**Blue Asset Partner Trust**" means an Australian unit trust known as "Blue Asset Partner Trust" constituted under the Blue Asset Partner Trust Deed.

"**Blue Asset Partner Trust Deed**" means the trust deed dated 14 October 2016 executed by Blue Asset Partner, as amended, supplemented or otherwise modified from time to time.

"**Blue Aurora Partner**" means Blue Aurora Partner Pty Ltd (ACN 664 591 388).

"**Blue Aurora Partner Trust**" means an Australian unit trust known as "Blue Aurora Partner Trust" constituted under the Blue Aurora Partner Trust Deed.

"**Blue Aurora Partner Trust Deed**" means the trust deed dated 22 December 2022 and executed by Blue Aurora Partner, as amended, supplemented or otherwise modified from time to time.

"**Blue Op Hold Trust**" means an Australian unit trust known as "Blue Op Hold Trust" constituted under the Blue Op Hold Trust Deed.

"**Blue Op Hold Trust Deed**" means the trust deed dated 14 October 2016 executed by Blue Op HoldCo, as amended, supplemented or otherwise modified from time to time.

"**Blue Op HoldCo**" means Blue Op HoldCo Pty Ltd (ACN 615 227 140).

"**Blue Op Partner**" means Blue Op Partner Pty Ltd (ACN 615 217 500).

"**Blue Op Partner Trust**" means an Australian unit trust known as "Blue Op Partner Trust" constituted under the Blue Op Partner Trust Deed.

"**Blue Op Partner Trust Deed**" means the trust deed dated 14 October 2016 executed by Blue Op Partner, as amended, supplemented or otherwise modified from time to time.

"**Blue PES Partner**" means Blue PES Partner Pty Ltd (ACN 622 175 428).

"**Blue PES Partner Trust**" means an Australian unit trust known as "Blue PES Partner Trust" constituted under the Blue PES Partner Trust Deed.

"**Blue PES Partner Trust Deed**" means the trust deed dated 23 October 2017 executed by Blue PES Partner.

"**Board of Directors**" means either the Board of Directors of the Issuer or a Guarantor or any committee of such board duly authorised to act for it in respect hereof.

"**Board Resolution**" when used with reference to the Issuer or a Guarantor means a copy of a resolution certified by the Secretary, an Assistant Secretary or a Director of the Issuer or such Guarantor, as applicable, to have been duly adopted by the Board of Directors (or by a committee of the Board of Directors appointed by such Board of Directors for such purpose) and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"**Change of Control**", unless otherwise specified in a Board Resolution or an Officer's Certificate with respect to a particular series of Notes, means the occurrence of any one of the following:

(a) Blue Asset Partner in its capacity as trustee of the Blue Asset Partner Trust or Blue Op Partner in its capacity as trustee of the Blue Op Partner Trust owns less than 50.4% of the "Ordinary Capital Interests" (as defined in the NAP Partnership Deed or the NOP Partnership Deed (as applicable)) in the Network Asset Partnership or the Network Operator Partnership, respectively; or

(b) the Sponsor Group members, or Associate Entities, collectively directly or indirectly do not own more than 50% of the shares or units in Blue Asset Partner, the Blue Asset Partner Trust, Blue Op Partner or the Blue Op Partner Trust.

However, a Change of Control will not occur or be deemed to have occurred if:

(a) it is caused by a change to investors in a Sponsor Group member or Associate Entity; or

(b) a change in, or the appointment of, the responsible entity, trustee or custodian of a Sponsor Group member or Associate Entity or Fund Manager of a Fund occurs where there is no concurrent change in the ultimate beneficial owner of the Sponsor Group member, Associate Entity or Fund.

"**Change of Control Triggering Event**" means if two Rating Agencies (including, if applicable, a Substitute Rating Agency) cease to rate the Notes Investment Grade on any date during the period (the "Trigger Period") commencing upon the earlier of (i) the occurrence of a Change of Control or (ii) 60 days prior to the date of the first public announcement of any Change of Control (or pending Change of Control), and ending 90 days following consummation of such Change of Control (which Trigger Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies (including, if applicable, a Substitute Rating Agency) has publicly announced that it is considering a possible ratings change). In the event there is one Rating Agency providing a rating for the Notes at the commencement of any Trigger Period, if that Rating Agency (including, if applicable, a Substitute Rating Agency) ceases to rate the Notes Investment Grade on any date during the Trigger Period, the Notes will be deemed to have ceased to be rated Investment Grade by two Ratings Agencies during that Trigger Period. Notwithstanding the foregoing, no Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

"**Control**" and "**Controlled**" means, in respect of any Person, "control" within the meaning of section 50AA of the Corporations Act as of the date of the issuance of the Notes (disregarding section 50AA(4) of the Corporations Act).

"**Core Business**" means the provision of:

(a) standard control services, that are regulated under the National Electricity Rules and are classified by the AER as standard control services in a Distribution Determination, including: (i) network services, (ii) connection services and (iii) type 7 metering services;

(b) alternative control services, that are regulated under the National Electricity Rules and are classified by the AER as alternative control services in a Distribution Determination, including: (i) type 5-6 meter provision, maintenance, reading, and data services, (ii) public lighting services, (iii) ancillary network services, (iv) pre-connection services and post-connection services and (v) authorised service provider connection services;

(c) negotiated services, that are classified by the AER as negotiated network services in a Distribution Determination;

(d) unclassified services, that are: (i) type 1-4 metering services, (ii) type 5-6 metering installation services, (iii) network premises connections, (iv) emergency recoverable works, (v) network extensions, (vi) distributed energy services, (vii) unregulated network connection services and (viii) energy related services; and

(e) telecommunications infrastructure related services;

and includes any other activity in connection with the distribution and transmission of energy and the provision of energy-related services, and any activity incidental or ancillary to such activities and the activities described in this definition above.

"**Distribution Determination**" has the meaning given in the National Electricity Law.

"**Distribution Network Sublease and Access Agreement**" means the sublease of the core network infrastructure and certain other assets entitled "Distribution Network Sublease and Access Agreement" dated 1 December 2016, among the Network Asset Partnership (as sublessor), each Initial NAP Partner in its personal capacity, the Network Operator Partnership (as sublessee) and each Initial NOP Partner in its personal capacity, as amended, supplemented or otherwise modified from time to time.

"**Distribution Network Tax Deed**" means the document entitled "NSW Distribution Network Tax Deed" dated on or about 1 December 2016, between the Commissioner of Taxation of the Commonwealth of Australia, AS Infrastructure No. 3 (Holding) Pty Ltd (ACN 609 172 867) as trustee for AS Infrastructure No. 3 (Holding) Trust, IFM Fiduciary Pty Ltd (ACN 135 450 618) as trustee of the IFM Network Trust, IFM Fiduciary Pty Ltd (ACN 135 450 618) as trustee of the IFM Network EF4 Trust, IFM Fiduciary No. 2 Pty Ltd (ACN 158 365 505) as trustee of the IFM Network EF4 Hold Trust, IFM Investors (Nominees) Limited (ACN 003 969 891) as trustee of the IFM Network Hold Trust, IFM Fiduciary Pty Ltd (ACN 135 450 618) as trustee of the IFM Australian Infrastructure Wholesale Fund A, IFM Investors (Nominees) Limited (ACN 003 969 891) as trustee of the IFM Australian Infrastructure Fund, Blue Asset HoldCo as trustee of the Blue Asset Hold Trust and Blue Asset Partner as trustee of the Blue Asset Partner Trust, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha APP Trust**" means:

(a) the ERIC Alpha APP Trust 1;

(b) the ERIC Alpha APP Trust 2;

(c) the ERIC Alpha APP Trust 3; and

(d) the ERIC Alpha APP Trust 4.

"**ERIC Alpha APP Trust 1**" means an Australian unit trust known as "ERIC Alpha APP Trust 1" constituted under the ERIC Alpha APP Trust 1 Deed.

"**ERIC Alpha APP Trust 1 Deed**" means the trust deed dated 5 December 2022 executed by the ERIC Alpha APP Trustee 1, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha APP Trust 2**" means an Australian unit trust known as "ERIC Alpha APP Trust 2" constituted under the ERIC Alpha APP Trust 2 Deed.

"**ERIC Alpha APP Trust 2 Deed**" means the trust deed dated 5 December 2022 executed by the ERIC Alpha APP Trustee 2, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha APP Trust 3**" means an Australian unit trust known as "ERIC Alpha APP Trust 3" constituted under the ERIC Alpha APP Trust 3 Deed.

"**ERIC Alpha APP Trust 3 Deed**" means the trust deed dated 5 December 2022 executed by the ERIC Alpha APP Trustee 3, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha APP Trust 4**" means an Australian unit trust known as "ERIC Alpha APP Trust 4" constituted under the ERIC Alpha APP Trust 4 Deed.

"**ERIC Alpha APP Trust 4 Deed**" means the trust deed dated 5 December 2022 executed by the ERIC Alpha APP Trustee 4, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha APP Trustee**" means:

(a) the ERIC Alpha APP Trustee 1;

(b) the ERIC Alpha APP Trustee 2;

(c) the ERIC Alpha APP Trustee 3; and

(d) the ERIC Alpha APP Trustee 4.

"**ERIC Alpha APP Trustee 1**" means ERIC Alpha APP Corporation 1 Pty Ltd (ACN 664 207 907).

"**ERIC Alpha APP Trustee 2**" means ERIC Alpha APP Corporation 2 Pty Ltd (ACN 664 208 066).

"**ERIC Alpha APP Trustee 3**" means ERIC Alpha APP Corporation 3 Pty Ltd (ACN 664 208 315).

"**ERIC Alpha APP Trustee 4**" means ERIC Alpha APP Corporation 4 Pty Ltd (ACN 664 208 404).

"**ERIC Alpha Asset Trust**" means:

(a) the ERIC Alpha Asset Trust 1;

(b) the ERIC Alpha Asset Trust 2;

(c) the ERIC Alpha Asset Trust 3; and

(d) the ERIC Alpha Asset Trust 4.

"**ERIC Alpha Asset Trust 1**" means an Australian unit trust known as "ERIC Alpha Asset Trust 1" constituted under the ERIC Alpha Asset Trust 1 Deed.

"**ERIC Alpha Asset Trust 1 Deed**" means the trust deed dated 21 July 2016 executed by the ERIC Alpha Asset Trustee 1, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha Asset Trust 2**" means an Australian unit trust known as "ERIC Alpha Asset Trust 2" constituted under the ERIC Alpha Asset Trust 2 Deed.

"**ERIC Alpha Asset Trust 2 Deed**" means the trust deed dated 21 July 2016 executed by the ERIC Alpha Asset Trustee 2, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha Asset Trust 3**" means an Australian unit trust known as "ERIC Alpha Asset Trust 3" constituted under the ERIC Alpha Asset Trust 3 Deed.

"**ERIC Alpha Asset Trust 3 Deed**" means the trust deed dated 21 July 2016 executed by the ERIC Alpha Asset Trustee 3, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha Asset Trust 4**" means an Australian unit trust known as "ERIC Alpha Asset Trust 4" constituted under the ERIC Alpha Asset Trust 4 Deed.

"**ERIC Alpha Asset Trust 4 Deed**" means the trust deed dated 21 July 2016 executed by the ERIC Alpha Asset Trustee 4, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha Asset Trustee**" means:

(a) the ERIC Alpha Asset Trustee 1;

(b) the ERIC Alpha Asset Trustee 2;

(c) the ERIC Alpha Asset Trustee 3; and

(d) the ERIC Alpha Asset Trustee 4.

"**ERIC Alpha Asset Trustee 1**" means ERIC Alpha Asset Corporation 1 Pty Ltd (ACN 612 974 044).

"**ERIC Alpha Asset Trustee 2**" means ERIC Alpha Asset Corporation 2 Pty Ltd (ACN 612 975 023).

"**ERIC Alpha Asset Trustee 3**" means ERIC Alpha Asset Corporation 3 Pty Ltd (ACN 612 975 032).

"**ERIC Alpha Asset Trustee 4**" means ERIC Alpha Asset Corporation 4 Pty Ltd (ACN 612 975 078).

"**ERIC Alpha AUP Trust**" means:

(a) the ERIC Alpha AUP Trust 1;

(b) the ERIC Alpha AUP Trust 2;

(c) the ERIC Alpha AUP Trust 3; and

(d) the ERIC Alpha AUP Trust 4.

"**ERIC Alpha AUP Trust 1**" means an Australian unit trust known as "ERIC Alpha AUP Trust 1" constituted under the ERIC Alpha AUP Trust 1 Deed.

"**ERIC Alpha AUP Trust 1 Deed**" means the trust deed dated 8 September 2017 executed by the ERIC Alpha AUP Trustee 1, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha AUP Trust 2**" means an Australian unit trust known as "ERIC Alpha AUP Trust 2" constituted under the ERIC Alpha AUP Trust 2 Deed.

"**ERIC Alpha AUP Trust 2 Deed**" means the trust deed dated 8 September 2017 executed by the ERIC Alpha AUP Trustee 2, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha AUP Trust 3**" means an Australian unit trust known as "ERIC Alpha AUP Trust 3" constituted under the ERIC Alpha AUP Trust 3 Deed.

"**ERIC Alpha AUP Trust 3 Deed**" means the trust deed dated 8 September 2017 executed by the ERIC Alpha AUP Trustee 3, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha AUP Trust 4**" means an Australian unit trust known as "ERIC Alpha AUP Trust 4" constituted under the ERIC Alpha AUP Trust 4 Deed.

"**ERIC Alpha AUP Trust 4 Deed**" means the trust deed dated 8 September 2017 executed by the ERIC Alpha AUP Trustee 4, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha AUP Trustee**" means:

(a) the ERIC Alpha AUP Trustee 1;

(b) the ERIC Alpha AUP Trustee 2;

(c) the ERIC Alpha AUP Trustee 3; and

(d) the ERIC Alpha AUP Trustee 4.

"**ERIC Alpha AUP Trustee 1**" means ERIC Alpha AUP Corporation 1 Pty Ltd (ACN 621 524 374).

"**ERIC Alpha AUP Trustee 2**" means ERIC Alpha AUP Corporation 2 Pty Ltd (ACN 621 524 454).

"**ERIC Alpha AUP Trustee 3**" means ERIC Alpha AUP Corporation 3 Pty Ltd (ACN 621 524 525).

"**ERIC Alpha AUP Trustee 4**" means ERIC Alpha AUP Corporation 4 Pty Ltd (ACN 621 524 605).

"**ERIC Alpha HoldCo**" means ERIC Alpha Holdings Pty Limited (ACN 611 143 367).

"**ERIC Alpha Operator Trust**" means:

(a) the ERIC Alpha Operator Trust 1;

(b) the ERIC Alpha Operator Trust 2;

(c) the ERIC Alpha Operator Trust 3; and

(d) the ERIC Alpha Operator Trust 4.

"**ERIC Alpha Operator Trust 1**" means an Australian unit trust known as "ERIC Alpha Operator Trust 1" constituted under the ERIC Alpha Operator Trust 1 Deed.

"**ERIC Alpha Operator Trust 1 Deed**" means the trust deed dated 21 July 2016 executed by the ERIC Alpha Operator Trustee 1, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha Operator Trust 2**" means an Australian unit trust known as "ERIC Alpha Operator Trust 2" constituted under the ERIC Alpha Operator Trust 2 Deed.

"**ERIC Alpha Operator Trust 2 Deed**" means the trust deed dated 21 July 2016 executed by the ERIC Alpha Operator Trustee 2, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha Operator Trust 3**" means an Australian unit trust known as "ERIC Alpha Operator Trust 3" constituted under the ERIC Alpha Operator Trust 3 Deed.

"**ERIC Alpha Operator Trust 3 Deed**" means the trust deed dated 21 July 2016 executed by the ERIC Alpha Operator Trustee 3, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha Operator Trust 4**" means an Australian unit trust known as "ERIC Alpha Operator Trust 4" constituted under the ERIC Alpha Operator Trust 4 Deed.

"**ERIC Alpha Operator Trust 4 Deed**" means the trust deed dated 21 July 2016 executed by the ERIC Alpha Operator Trustee 4, as amended, supplemented or otherwise modified from time to time.

"**ERIC Alpha Operator Trustee**" means:

(a) the ERIC Alpha Operator Trustee 1;

(b) the ERIC Alpha Operator Trustee 2;

(c) the ERIC Alpha Operator Trustee 3; and

(d) the ERIC Alpha Operator Trustee 4.

"**ERIC Alpha Operator Trustee 1**" means ERIC Alpha Operator Corporation 1 Pty Ltd (ACN 612 975 096).

"**ERIC Alpha Operator Trustee 2**" means ERIC Alpha Operator Corporation 2 Pty Ltd (ACN 612 975 121).

"**ERIC Alpha Operator Trustee 3**" means ERIC Alpha Operator Corporation 3 Pty Ltd (ACN 612 975 185).

"**ERIC Alpha Operator Trustee 4**" means ERIC Alpha Operator Corporation 4 Pty Ltd (ACN 612 975 210).

"**Excluded Subsidiary**" means:

(a) a direct or indirect Subsidiary of an Obligor (which is not itself an Obligor) which has incurred or will incur a Limited Recourse Borrowing, and provided that such Subsidiary or entity is not and will not become a partner in the Network Asset Partnership, the Network Operator Partnership, or the Network Unregulated Partnership (for so long as it is a Guarantor) or the Aurora Property Partnership (for so long as it is a Guarantor) (and if such partner is a trustee of a trust, such Person in its personal capacity in addition to its capacity as trustee of such trust). For this purpose, a "Subsidiary" includes any body corporate which would be a Subsidiary of an Obligor partnership if the Obligor partnership was a body corporate for the purposes of Part 1.2 Division 6 of the Corporations Act; and

(b) any entity which holds Marketable Securities in an entity described in paragraph (a) (or which holds Marketable Securities in an entity described in this paragraph (b)), provided that it is not an Obligor.

"**FATCA**" means:

(a) sections 1471 to 1474 of the U.S. Internal Revenue Code or any associated regulations;

(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

"**FATCA Withholding**" means any withholding or deduction made under or in connection with, or in order to ensure compliance with, FATCA.

"**Finance Document**" means the Trust Deed, each Note and each Security Document.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed and any debit balance at any financial institution;

(b) any amount raised under any acceptance credit, bill acceptance or bill endorsement facility or dematerialized equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instruments;

(d) the amount of any liability in respect of any lease or hire purchase contract, which would, under GAAP, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any redeemable shares or units where the holder has the right, or the right in certain conditions, to require redemption of the shares or units on or before the maturity date of the Notes;

(g) any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to any other clause of this definition having the commercial effect of a borrowing;

(h) consideration for the acquisition of assets or services payable more than 180 days after acquisition having the commercial effect of a borrowing;

(i) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of such derivative transaction, that amount) will be taken into account);

(j) the amount of any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(k) the amount of any liability in respect of any Guaranty or indemnity for any of the items referred to in clauses (a) through (j), above.

but excludes any indebtedness in respect of any lease or hire purchase contract which, in accordance with GAAP as at the date of the Offering Circular, are treated as an operating lease (or would have been prior to IFRS 16).

"**Fund**" means a trust, partnership or body corporate or similar vehicle that is used or promoted to be used for collective investment.

"**Fund Manager**" means the professional manager, custodian, investment manager or trustee of a Fund.

"**GAAP**" means generally accepted accounting principles, standards and practices in Australia.

"**Governmental Agency**" means any government or any governmental, semi-governmental or judicial entity or authority. It also includes any self-regulatory organisation established under statute or any stock exchange.

"**Group**" means the Issuer, the Asset Group members, the Operations Group members, the Unregulated Group members (for so long as the Network Unregulated Partnership is a Guarantor), the Aurora Group members (for so long as the Aurora Property Partnership is a Guarantor) and each New Guarantor Group member (for so long as the relevant New Guarantor is a Guarantor), and "**Group Member**" means any one of them. "**Group**" and "**Group Member**" exclude Excluded Subsidiaries.

"**Guarantor**" means each of:

(a) the Network Asset Partnership;

(b) the NAP Partners;

(c) the Network Operator Partnership;

(d) the NOP Partners;

(e) the Network Unregulated Partnership;

(f) the NUP Partners;

(g) the Aurora Property Partnership;

(h) the APP Partners;

(i) Ausgrid Management Pty Ltd (ACN 615 449 548);

(j) Plus ES Management 1 Pty Ltd (ACN 622 269 907);

(k) Plus ES Management 2 Pty Ltd (ACN 622 269 934); and

(l) any other person that becomes a "Guarantor" under the Trust Deed from time to time,

in each case, for so long as it is a Guarantor under the Trust Deed.

"**Guaranty**" means any guarantee, suretyship, letter of credit, letter of comfort or any other obligation:

(a) to provide funds (whether by the advance or payment of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or discharge of;

(b) to indemnify any Person against the consequences of default in the payment of; or

(c) to be responsible otherwise for,

any debt or monetary liability or obligation (whether or not it involves the payment of money) of another Person or the assumption of any responsibility or obligation in respect of the insolvency or the financial condition of any other Person.

"**Holding Entity**" means:

(a) Blue Asset HoldCo in its personal capacity and in its capacity as trustee of the Blue Asset Hold Trust (but only while Blue Asset HoldCo owns any shares or units in the Blue Asset Partner or Blue Asset Partner Trust);

(b) Blue Op HoldCo in its personal capacity and in its capacity as trustee of the Blue Op Hold Trust (but only while Blue Op HoldCo owns any shares or units in Blue Op Partner, the Blue Op Partner Trust, Blue PES Partner, the Blue PES Partner Trust, Blue Aurora Partner or the Blue Aurora Partner Trust);

(c) ERIC Alpha HoldCo (but only while ERIC Alpha HoldCo owns any shares or units in an ERIC Alpha Asset Trustee, an ERIC Alpha Asset Trust, an ERIC Alpha Operator Trustee or an ERIC Alpha Operator Trust, ERIC Alpha AUP Trustee or an ERIC Alpha AUP Trust; and

(d) any Person that accedes to the Security Trust Deed and the Intercreditor Deed as a Holding Entity pursuant to clause 9.1 (New Holding Entities) of the Security Trust Deed and clause 15.1 (Additional Relevant Entities) of the Intercreditor Deed unless it has ceased to be a Holding Entity in accordance with clause 9.2 (Release of Holding Entities) of the Security Trust Deed and clause 15.2 (Release of Relevant Entities) of the Intercreditor Deed, and in case, the Issuer shall provide the Trustee with notification thereof;

"**ICD Finance Documents**" has the meaning assigned to the term "Finance Documents" in the Intercreditor Deed.

"**ICD Security**" has the meaning assigned to the term "Security" in the Intercreditor Deed.

"**IFM Associate Entity**" means:

(a) any member of the IFM Group; and

(b) any investment fund (whether a company, trustee, management investment scheme, partnership or other entity and whether or not by way of one or more entities or interposed holding entities) whose investment in the Obligors is managed or advised on a day to day basis pursuant to a continuing bona fide written management or advisory agreement (whether discretionary or non-discretionary) by a member of the IFM Group.

"**IFM Group**" means:

(a) IFM Holdings Pty Ltd (ACN 135 448 225) ("**IFM Holdings**"); and

(b) any person directly or indirectly Controlled by IFM Holdings.

"**Initial APP Partner**" means ERIC Alpha APP Corporation 1 Pty Ltd, ERIC Alpha APP Corporation 2 Pty Ltd, ERIC Alpha APP Corporation 3 Pty Ltd, ERIC Alpha APP Corporation 4 Pty Ltd and Blue Aurora Partner Pty Ltd.

"**Initial NAP Partner**" means ERIC Alpha Asset Corporation 1 Pty Ltd, ERIC Alpha Asset Corporation 2 Pty Ltd, ERIC Alpha Asset Corporation 3 Pty Ltd, ERIC Alpha Asset Corporation 4 Pty Ltd and Blue Asset Partner Pty Ltd.

"**Initial NOP Partner**" means ERIC Alpha Operator Corporation 1 Pty Ltd, ERIC Alpha Operator Corporation 2 Pty Ltd, ERIC Alpha Operator Corporation 3 Pty Ltd, ERIC Alpha Operator Corporation 4 Pty Ltd and Blue Op Partner Pty Ltd.

"**Initial NUP Partner**" means ERIC Alpha AUP Corporation 1 Pty Ltd, ERIC Alpha AUP Corporation 2 Pty Ltd, ERIC Alpha AUP Corporation 3 Pty Ltd, ERIC Alpha AUP Corporation 4 Pty Ltd and Blue PES Partner Pty Ltd.

"**Insolvency Event**" means with respect to any Person, any of the following events:

(a) such Person stops payment of or is unable to pay its debts as they fall due or is insolvent within the meaning of section 95A of the Corporations Act;

(b) such Person goes into liquidation or an order is made, an application (other than a frivolous or vexatious application) is made to court that is not stayed or dismissed within 20 Business Days of receipt or a resolution is passed for a person to be wound up or dissolved;

(c) a controller, liquidator, provisional liquidator or administrator is appointed in respect of such Person or all or any material part of its assets or a security holder takes possession of all or any material part of such Person's assets;

(d) a body corporate is deregistered or applies to be deregistered;

(e) such Person makes or enters into an assignment, scheme, arrangement, deed of company arrangement or composition for the benefit of its creditors generally (other than a solvent scheme of arrangement);

(f) in respect of a partnership, the partners in the partnership resolve to wind up or dissolve, or an order is made for the winding up or dissolution of, the partnership;

(g) in respect of a trust, a resolution is passed or an order is made for the winding up of the trust or the trust terminates by the passage of time or otherwise; or

(h) anything analogous or with a substantially similar effect to any of the events specified in clauses (a) to (g) inclusive above happens under the law of any applicable jurisdiction.

"**Intercreditor Agent**" means Australia and New Zealand Banking Group Limited (ABN 11 005 357 522), together with any successor thereto in accordance with the terms of the Intercreditor Deed.

"**Intercreditor Deed**" means the intercreditor deed dated 20 October 2016, as amended and restated as of 9 August 2017, among the Issuer, the Guarantors, the Security Trustee, the Intercreditor Agent, certain senior lenders to the Issuer and certain other parties.

"**Investment Grade**" means (i) a rating of Baa3 or better by Moody's (or its equivalent under any successor rating category of Moody's); (ii) a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P); or (iii) in the event of the Notes being rated by a Substitute Rating Agency, the equivalent of either (i) or (ii) by such Substitute Rating Agency.

"**Leased Network**" has the meaning given in the Network Lease.

"**Lessor**" means Alpha Distribution Ministerial Holding Corporation (ABN 67 505 337 385), a corporation constituted as a Ministerial Holding Corporation for the purposes of the *Electricity Network Assets (Authorised Transactions) Act 2015* (NSW).

"**Lien**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any Person or any other agreement or arrangement having a similar effect, including any "security interest" as defined in sections 12(1) or (2) of the PPSA.

"**Limited Recourse Borrowing**" means Financial Indebtedness incurred where no Guaranty or Security Interest is given by an Obligor in relation to that Financial Indebtedness.

"**Major Authorisation**" means:

(a) any license under the *New South Wales Electricity Supply Act 1995* (NSW) to operate the Leased Network;

(b) any registration (or exemption from the requirement to register) under the National Electricity Law or the National Electricity Rules as a network service provider in relation to the Leased Network or as a distribution system operator or as an intermediary; or

(c) any equivalent Authorisation to those referred to in clause (a) or (b) above that is required for the purposes of controlling or operating the Leased Network.

"**Marketable Security**" means:

(a) marketable securities as defined in the Corporations Act;

(b) interest in a partnership; or

(c) unit (whatever called) or interest in a trust estate which represents a legal or beneficial interest in any of the income or assets of that trust estate and includes any options to acquire any units howsoever described.

"**Material Document**" means the (a) Network Lease, (b) Distribution Network Sublease and Access Agreement, (c) Sublease Deed and (d) Distribution Network Tax Deed.

"**Material Financial Indebtedness**" means with respect to any Obligor, any Financial Indebtedness that in the aggregate has an aggregate principal amount outstanding greater than US$50 million or its equivalent in other currencies.

"**Moody's**" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

"**NAP Partner**" means an Initial NAP Partner or a New NAP Partner, unless it has ceased to be a partner in the Network Asset Partnership and an Obligor in accordance with the Finance Documents.

"**NAP Partner Trust**" means:

(a) the Blue Asset Partner Trust (of which Blue Asset Partner is trustee);

(b) the ERIC Alpha Asset Trust 1 (of which ERIC Alpha Trustee 1 is trustee);

(c) the ERIC Alpha Asset Trust 2 (of which ERIC Alpha Trustee 2 is trustee);

(d) the ERIC Alpha Asset Trust 3 (of which ERIC Alpha Trustee 3 is trustee);

(e) the ERIC Alpha Asset Trust 4 (of which ERIC Alpha Trustee 4 is trustee); or

(f) any New NAP Partner Trust (of which the applicable New NAP Partner Trustee is trustee),

unless the relevant NAP Partner Trustee in its capacity as trustee of the relevant NAP Partner Trust has ceased to be a partner in the Network Asset Partnership and a Guarantor in accordance with the Finance Documents.

"**NAP Partner Trustee**" means each of the following entities in its personal capacity and as trustee of the relevant NAP Partner Trust:

(a) the Blue Asset Partner;

(b) the ERIC Alpha Asset Trustee 1;

(c) the ERIC Alpha Asset Trustee 2;

(d) the ERIC Alpha Asset Trustee 3;

(e) the ERIC Alpha Asset Trustee 4; or

(f) each New NAP Partner Trustee,

unless the relevant NAP Partner Trustee in its capacity as trustee of the relevant NAP Partner Trust has ceased to be a partner in the Network Asset Partnership and an Obligor in accordance with the Finance Documents.

"**NAP Partnership Deed**" means the partnership deed dated 20 October 2016 executed by each Initial NAP Partner, as amended, supplemented or otherwise modified from time to time.

"**National Electricity Law**" means the provisions applying because of section 6 of the *National Electricity (New South Wales) Act 1997* (NSW), and includes the National Electricity Rules.

"**National Electricity Rules**" has the meaning given in the National Electricity Law.

"**Network Asset Partnership**" means the Australian partnership known as "Ausgrid Asset Partnership" constituted under the NAP Partnership Deed and carried out by each NAP Partner.

"**Network Lease**" means the 99-year lease over the core network infrastructure and certain other assets of the Lessor entitled "Distribution Network Lease" dated 1 December 2016 between the Lessor and the Network Asset Partnership and each NAP Partner in its personal capacity, as amended, supplemented or otherwise modified from time to time.

"**Network Management Co**" means Ausgrid Management Pty Ltd (ACN 615 449 548), a company registered under the laws of Australia.

"**Network Operator Partnership**" means the Australian partnership known as "Ausgrid Operator Partnership" constituted under the NOP Partnership Deed and carried out by each NOP Partner.

"**Network Unregulated Partnership**" means the Australian partnership known as "Plus ES Partnership" constituted under the NUP Partnership Deed and carried out by each NUP Partner.

"**New APP Partner**" means a Person who becomes a partner in the Aurora Property Partnership after the date of the Trust Deed and a Guarantor pursuant to a deed of accession.

"**New APP Partner Trust**" means, in relation to a New APP Partner that is party to the Trust Deed in its capacity as trustee of a trust, such trust.

"**New APP Partner Trustee**" means, in relation to a New APP Partner Trust, the trustee of such New APP Partner Trust.

"**New Guarantor**" means a Person who becomes a Guarantor under the Trust Deed after the date of the Trust Deed.

"**New Guarantor Group**" means, in respect of a New Guarantor, the New Guarantor and any Subsidiary (or any body corporate which would be a Subsidiary of the New Guarantor if the New Guarantor was a body corporate for the purposes of Part 1.2 Division 6 of the Corporations Act, other than any Excluded Subsidiary).

"**New NAP Partner**" means a Person who becomes a partner in the Network Asset Partnership after the date of the Trust Deed and a Guarantor pursuant to the deed of accession.

"**New NAP Partner Trust**" means, in relation to a New NAP Partner that is party to the Trust Deed in its capacity as trustee of a trust, such trust.

"**New NAP Partner Trustee**" means, in relation to a New NAP Partner Trust, the trustee of such New NAP Partner Trust.

"**New NOP Partner**" means a Person who becomes a partner in the Network Operator Partnership after the date of the Trust Deed and a Guarantor pursuant to the deed of accession.

"**New NOP Partner Trust**" means, in relation to New NOP Partner that is party to the Trust Deed in its capacity as trustee of a trust, such trust.

"**New NOP Partner Trustee**" means, in relation to a New NOP Partner Trust, the trustee of such New NOP Partner Trust.

"**New NUP Partner**" means a person who becomes a partner in the Network Unregulated Partnership after the date of the Trust Deed and a Guarantor pursuant to the deed of accession.

"**New NUP Partner Trust**" means, in relation to New NUP Partner that is party to the Trust Deed in its capacity as trustee of a trust, such trust.

"**New NUP Partner Trustee**" means, in relation to a New NUP Partner Trust, the trustee of such New NUP Partner Trust.

"**New Partnership**" means a New Guarantor which is a partnership.

"**NOP Partner**" means an Initial NOP Partner or a New NOP Partner, unless it has ceased to be a partner in the Network Operator Partnership and an Obligor in accordance the Finance Documents.

"**NOP Partner Trust**" means:

(a) the Blue Op Partner Trust (of which Blue Op Partner is trustee);

(b) the ERIC Alpha Operator Trust 1 (of which ERIC Alpha Operator Trustee 1 is trustee);

(c) the ERIC Alpha Operator Trust 2 (of which ERIC Alpha Operator Trustee 2 is trustee);

(d) the ERIC Alpha Operator Trust 3 (of which ERIC Alpha Operator Trustee 3 is trustee);

(e) the ERIC Alpha Operator Trust 4 (of which ERIC Alpha Operator Trustee 4 is trustee); or

(f) any New NOP Partner Trust (of which the applicable New NOP Partner Trustee is trustee),

unless the relevant NOP Partner Trustee in its capacity as trustee of the relevant NOP Partner Trust has ceased to be a partner in the Network Operator Partnership and an Obligor in accordance with the Finance Documents.

"**NOP Partner Trustee**" means:

(a) Blue Op Partner;

(b) the ERIC Alpha Operator Trustee 1;

(c) the ERIC Alpha Operator Trustee 2;

(d) the ERIC Alpha Operator Trustee 3;

(e) the ERIC Alpha Operator Trustee 4; or

(f) any New NOP Partner Trustee,

unless the relevant NOP Partner Trustee in its capacity as trustee of the relevant NOP Partner Trust has ceased to be a partner in the Network Operator Partnership and an Obligor in accordance with the Finance Documents.

"**NOP Partnership Deed**" means the partnership deed dated 20 October 2016 executed by each NOP Partner, as amended, supplemented or otherwise modified from time to time.

"**NUP Partner**" means each Initial NUP Partner and each New NUP Partner, unless such entity ceased to be a partner in the Network Unregulated Partnership and an Obligor in accordance with the Finance Documents.

"**NUP Partner Trust**" means:

(a) Blue PES Partner Trust;

(b) ERIC Alpha AUP Trust 1;

(c) ERIC Alpha AUP Trust 2;

(d) ERIC Alpha AUP Trust 3;

(e) ERIC Alpha AUP Trust 4; or

(f) any New NUP Partner Trust,

unless the relevant NUP Partner Trustee in its capacity as trustee of the relevant NUP Partner Trust has ceased to be a partner in the Network Unregulated Partnership and an Obligor in accordance with the Finance Documents.

"**NUP Partner Trustee**" means:

(a) Blue PES Partner;

(b) the ERIC Alpha AUP Trustee 1;

(c) the ERIC Alpha AUP Trustee 2;

(d) the ERIC Alpha AUP Trustee 3;

(e) the ERIC Alpha AUP Trustee 4; or

(f) any New NUP Partner Trustee,

unless the relevant NUP Partner Trustee in its capacity as trustee of the relevant NUP Partner Trust has ceased to be a partner in the Network Unregulated Partnership and an Obligor in accordance with the Finance Documents.

"**NUP Partnership Deed**" means the partnership deed dated 1 November 2017 executed by each NUP Partner, as amended, supplemented or otherwise modified from time to time.

"**Obligor**" means the Issuer and any Guarantor.

"**Officer's Certificate**" means a certificate signed by any two Directors or Authorised Signatories or Secretary of the Issuer or a Guarantor and delivered to the Trustee, provided that any such certificate required to be delivered by the Issuer or a Guarantor may be delivered in the form of a certificate signed by any two Directors or Authorised Signatories or Secretary of the Issuer.

"**Offshore Associate**" means an associate (as defined in section 128F(9) of the Australian Tax Act) of an entity that is either:

(a) a non-resident of Australia that does not acquire the Notes or an interest in the Notes in carrying on a business in Australia at or through a permanent establishment of the associate in Australia; or

(b) a resident of Australia that acquires the Notes or an interest in the Notes in carrying on a business in a country outside Australia at or through a permanent establishment of the associate outside Australia.

"**Operations Group**" means the Network Operator Partnership and any body corporate that would be a Subsidiary of the Network Operator Partnership if the Network Operator Partnership was a body corporate for the purposes of Part 1.2 Division 6 of the Corporations Act (excluding any Excluded Subsidiary).

"**Permanent Guarantor**" means:

(a) the Issuer, Ausgrid Management Pty Ltd, Network Asset Partnership and Network Operator Partnership;

(b) each other Person who becomes a partner in the Network Asset Partnership and becomes a New Guarantor; and

(c) each other Person who becomes a partner in the Network Operator Partnership and becomes a New Guarantor,

but excluding any Person who has ceased to be a partner in the Network Asset Partnership or the Network Operator Partnership (as applicable).

"**Person**" means any individual, corporation, partnership, joint venture, joint stock company, limited liability company, limited liability partnership, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"**PPSA**" means the Australian *Personal Property Securities Act 2009* (Cth).

"**Rating Agency**" means Moody's, S&P or a Substitute Rating Agency.

"**Relevant Entity**" means any Obligor or Holding Entity.

"**Relevant Partnership**" means the (a) Network Asset Partnership, (b) Network Operator Partnership, (c) for so long as Network Unregulated Partnership is a Guarantor, Network Unregulated Partnership, (d) for so long as the Aurora Property Partnership is a Guarantor, Aurora Property Partnership or (e) for so long as a New Partnership is a Guarantor, the New Partnership.

"**Relevant Partnership Property**" means in respect of a Relevant Partnership, all assets, rights, property and undertaking that are the subject of the Relevant Partnership (a) whatever kind and wherever situated and (b) whether present or future.

"**Relevant Trust**" means (a) a NAP Partner Trust, (b) a NOP Partner Trust, (c) for so long as Network Unregulated Partnership is a Guarantor, a NUP Partner Trust, (d) for so long as Aurora Property Partnership is a Guarantor, the APP Partner Trust, (e) the Blue Asset Hold Trust, (f) the Blue Op Hold Trust, or (g) a trust in respect of which a New Guarantor or a new Holding Entity is a trustee.

"**Relevant Trust Deed**" means:

(a) in the case of Blue Asset Partner or the Blue Asset Partner Trust, the Blue Asset Partner Trust Deed;

(b) in the case of the ERIC Alpha Asset Trustee 1 or the ERIC Alpha Asset Trust 1, the ERIC Alpha Asset Trust 1 Deed;

(c) in the case of the ERIC Alpha Asset Trustee 2 or the ERIC Alpha Asset Trust 2, the ERIC Alpha Asset Trust 2 Deed;

(d) in the case of the ERIC Alpha Asset Trustee 3 or the ERIC Alpha Asset Trust 3, the ERIC Alpha Asset Trust 3 Deed;

(e) in the case of the ERIC Alpha Asset Trustee 4 or the ERIC Alpha Asset Trust 4, the ERIC Alpha Asset Trust 4 Deed;

(f) in the case of Blue Op Partner or the Blue Op Partner Trust, the Blue Op Partner Trust Deed;

(g) in the case of the ERIC Alpha Operator Trustee 1 or the ERIC Alpha Operator Trust 1, the ERIC Alpha Operator Trust 1 Deed;

(h) in the case of the ERIC Alpha Operator Trustee 2 or the ERIC Alpha Operator Trust 2, the ERIC Alpha Operator Trust 2 Deed;

(i) in the case of the ERIC Alpha Operator Trustee 3 or the ERIC Alpha Operator Trust 3, the ERIC Alpha Operator Trust 3 Deed;

(j) in the case of the ERIC Alpha Operator Trustee 4 or the ERIC Alpha Operator Trust 4, the ERIC Alpha Operator Trust 4 Deed;

(k) in the case of Blue Asset HoldCo or the Blue Asset Hold Trust, the Blue Asset Hold Trust Deed;

(l) in the case of Blue Op HoldCo or the Blue Op Hold Trust, the Blue Op Hold Trust Deed;

(m) for so long as Network Unregulated Partnership is a Guarantor, in the case of Blue PES Partner or the Blue PES Partner Trust, the Blue PES Partner Trust Deed;

(n) for so long as Network Unregulated Partnership is a Guarantor, in the case of the ERIC Alpha AUP Trustee 1 or the ERIC Alpha AUP Trust 1, the ERIC Alpha AUP Trust 1 Deed;

(o) for so long as Network Unregulated Partnership is a Guarantor, in the case of the ERIC Alpha AUP Trustee 2 or the ERIC Alpha AUP Trust 2, the ERIC Alpha AUP Trust 2 Deed;

(p) for so long as Network Unregulated Partnership is a Guarantor, in the case of the ERIC Alpha AUP Trustee 3 or the ERIC Alpha AUP Trust 3, the ERIC Alpha AUP Trust 3 Deed;

(q) for so long as Network Unregulated Partnership is a Guarantor, in the case of the ERIC Alpha AUP Trustee 4 or the ERIC Alpha AUP Trust 4, the ERIC Alpha AUP Trust 4 Deed;

(r) for so long as Aurora Property Partnership is a Guarantor, in the case of Blue Aurora Partner or the Blue Aurora Partner Trust, the Blue Aurora Partner Trust Deed;

(s) for so long as Aurora Property Partnership is a Guarantor, in the case of the ERIC Alpha APP Trustee 1 or the ERIC Alpha APP Trust 1, the ERIC Alpha APP Trust 1 Deed;

(t) for so long as Aurora Property Partnership is a Guarantor, in the case of the ERIC Alpha APP Trustee 2 or the ERIC Alpha APP Trust 2, the ERIC Alpha APP Trust 2 Deed;

(u) for so long as Aurora Property Partnership is a Guarantor, in the case of the ERIC Alpha APP Trustee 3 or the ERIC Alpha APP Trust 3, the ERIC Alpha APP Trust 3 Deed; and

(v) for so long as Aurora Property Partnership is a Guarantor, in the case of the ERIC Alpha APP Trustee 4 or the ERIC Alpha APP Trust 4, the ERIC Alpha APP Trust 4 Deed.

"**S&P**" means S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., and its successors.

"**Security Documents**" means:

(a) the Security Trust Deed;

(b) the Intercreditor Deed:

(c) each ICD Security;

(d) the Tripartite Deed;

(e) the Tax Deed Tripartite Deed; and

(f) any Subordination Deed.

"**Security Interest**" has the meaning given to that term in the Intercreditor Deed.

"**Security Trust Deed**" means the document of that title dated 20 October 2016 between, among others, the Issuer and the Security Trustee, as amended of 9 August 2017, as amended, supplemented or otherwise modified from time to time.

"**Security Trustee**" means ANZ Fiduciary Services Pty Limited (ABN 91 100 709 493), together with any successor thereto in accordance with the terms of the Security Trust Deed.

"**Sponsor Group**" means the AustralianSuper Group, the IFM Group and the APG Group and "**Sponsor Group member**" means any of them.

"**Stock Exchange**" means the SGX-ST and/or such other stock exchange or market on which any Notes may be listed or admitted to trading.

"**Sublease Deed**" means the document so entitled dated 1 December 2016 between the Lessor, the Network Asset Partnership (as sublessor), each Initial NAP Partner in its personal capacity, the Network Operator Partnership (as sublessee) and each Initial NOP Partner in its personal capacity relating to the core network infrastructure, as amended, restated, supplemented or otherwise modified from time to time.

"**Subordination Deed**" means a deed entered into among an Obligor, a subordinated lender(s) and any other applicable Persons subordinating Financial Indebtedness incurred by an Obligor on reasonable commercial terms.

"**Subsidiary**" means a body corporate (the "first body") that has the following relationship to another body corporate (the "other body"). The other body:

(a) directly or indirectly controls the composition of the first body's board;

(b) is in a position to cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the first body;

(c) holds directly or indirectly more than one-half of the issued share capital of the first body (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital); or

(d) has an economic interest directly or indirectly of more than 50% in the first body,

but provided that:

(e) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share and the ability to control the appointment or removal of the trustee is considered to satisfy clause (a) above;

(f) a corporation or trust may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation;

(g) a limited partnership may be a Subsidiary of an entity if the entity or any of its Subsidiaries are the general partner of that limited partnership and the entity, together with any of its Subsidiaries, holds more than 50% of the partner interests in the limited partnership;

(h) any securities held, or power exercisable by an entity in a fiduciary capacity, are treated as not held or exercisable by it (but without prejudice to the application of clauses (e) and (f) above to any trust); and

(i) any securities held, or power exercisable:

A. by an entity as a nominee for another entity (except where the other entity is concerned only in a fiduciary capacity); or

B. by, or by a nominee for, a Subsidiary of another entity (not being a Subsidiary that is concerned only in a fiduciary capacity),

are treated as held by such other entity (but without prejudice to the application of clauses (e) and (f) above to any trust.

"**Substitute Rating Agency**" means a "nationally recognized statistical rating organisation" within the meaning of the Securities Exchange Act of 1934 engaged by the Issuer or the Guarantors to provide a rating of the Notes in the event that either S&P or Moody's, or a Substitute Rating Agency, has ceased to provide a rating of the Notes for any reason other than as a result of any action or inaction by the Issuer or the Guarantors, and a result thereof there are no longer two Rating Agencies providing ratings of the Notes.

"**Superannuation Fund**" means any entity that is subject to supervision pursuant to the Australian *Superannuation Industry (Supervision) Act 1993* (Cth) or any successor legislation.

"**Tax Deed Tripartite Deed**" means the document entitled "Tripartite Deed – Tax Deed" dated 1 December 2016, among the Commissioner of Taxation of the Commonwealth of Australia, ERIC Alpha HoldCo, ERIC Alpha Asset Trustee 1 as trustee of the ERIC Alpha Asset Trust 1, ERIC Alpha Asset Trustee 2 as trustee of the ERIC Alpha Asset Trust 2, ERIC Alpha Asset Trustee 3 as trustee of the ERIC Alpha Asset Trust 3, ERIC Alpha Asset Trustee 4 as trustee of the ERIC Alpha Asset Trust 4, Blue Asset HoldCo as trustee of the Blue Asset Hold Trust, Blue Asset Partner as trustee of the Blue Asset Trust and the Security Trustee, as amended, supplemented or otherwise modified from time to time.

"**Taxes**" includes any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying of any of the same).

"**Tripartite Deed**" means the document so entitled dated 1 December 2016 among, among others, the Crown in the right of the State of New South Wales, the Lessor, the Network Asset Partnership, the Network Operator Partnership and the Security Trustee in relation to the Network Lease, the

Sublease Deed and the Distribution Network Sublease and Access Agreement, as amended, supplemented or otherwise modified from time to time.

"**Unregulated Group**" means the Network Unregulated Partnership and any body corporate that would be a Subsidiary of the Network Unregulated Partnership if the Network Unregulated Partnership was a body corporate for the purposes of Part 1.2 Division 6 of the Corporations Act (excluding any Excluded Subsidiary).

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown in the applicable pricing supplement.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the applicable pricing supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be).

2 No Exchange of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and

containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available (free of charge to any Noteholder and at the Issuer's expense) by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 Guarantee and Status

(a) **Guarantee:** The Guarantors have unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, the Receipts and the Coupons. The Guarantors' obligations in that respect are contained in the Trust Deed.

(b) **Status of Notes and Guarantee:** The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 4) secured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them and of each Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsubordinated indebtedness and monetary obligations of the Issuer and each Guarantor respectively, present and future, other than those preferred by statute or applicable law.

(c) **Addition and Release of Guarantors:**

(i) *Addition of New Guarantors:* The Issuer and the Guarantors have covenanted and agreed in the Trust Deed that so long as any member of the Group from time to time that is not a Guarantor provides a guarantee with respect to any Material Financial Indebtedness or becomes an obligor or a co-obligor with respect to any Material Financial Indebtedness or any Person becomes a partner in the Network Asset Partnership, the Network Operator Partnership, the Network Unregulated Partnership (for so long as it is a Guarantor) or the Aurora Property Partnership (for so long as it is a Guarantor) after the date of the issuance of any Notes (and if such partner is a trustee of a trust, such Person in its personal capacity in addition to its capacity as trustee of such trust), then within 30 days of such Person becoming a guarantor or obligor of such Material Financial Indebtedness, the Issuer and Guarantors shall cause that Obligor to also become a Guarantor (each, a "**New Guarantor**").

(ii) *Release of Guarantors:* Any or all of the Guarantors (other than a Permanent Guarantor) may be released at any time from their respective Guarantee and other obligations under the Trust Deed and the Notes without the consent of any Noteholder pursuant to the requirements set out in the Trust Deed, provided that:

(A) the applicable Guarantor will not, upon release of its obligations under the Trust Deed and applicable Guarantee and any other obligations released concurrently with such release, provide a guarantee or be an obligor or co-obligor, with respect to any Material Financial Indebtedness; and

(B) no default or Event of Default exists in respect of the applicable Notes.

4 Security and Covenants

(a) **Security:** Amounts due from the Issuer and the Guarantors under the Notes and the Trust Deed are secured pursuant to the ICD Security, the Security Trust Deed and the Intercreditor Deed. The Security Trustee holds the ICD Security on trust for the Beneficiaries (as defined in the Security Trust Deed and the Intercreditor Deed, and which include the Trustee and the Noteholders) and subject to the terms of the Security Trust Deed and the Intercreditor Deed. By the Trustee acceding as a party to the Security Trust Deed and the Intercreditor Deed, the Noteholders receive, through the Trustee, the benefit of the Security Trust Deed, the Intercreditor Deed and the ICD Security.

See "Description of the Security and Intercreditor Arrangements" for further details on the Security.

(b) **Material Documents:**

(I) *Amendments to Material Documents:* So long as any Note remains outstanding, the Issuer must not (and must ensure that each other Obligor does not):

(i) make any amendment or variation of, or waive or consent to the waiver of any obligation under, any Material Document, in any case that could reasonably be expected to have a material adverse effect on the ability of the Issuer and the other Obligors (taken as a whole) to meet any of their respective payment obligations under the Notes; or

(ii) consent to an assignment, transfer or novation of the Lessor's rights and/or obligations under a Material Document, unless:

A. the proposed assignee, transferee or novatee is of good repute, sound financial standing and capable of performing the Lessor's covenants under the relevant Material Document;

B. all (not part only) of the Lessor's rights and/or obligations under that Material Document, and each other Material Document, are transferred to the proposed assignee, transferee or novatee; and

C. the proposed assignee shall become a party to the Tripartite Deed;

(iii) terminate (other than by the passing of time), rescind, surrender or accept any repudiation of, discharge or suspend, any Material Document; or

(iv) assign or transfer any rights and/or obligations under (other than pursuant to a ICD Security) any Material Document.

(II) *Modification of Material Documents:* If any Relevant Entity or other relevant parties propose to make or agree or consent to any amendment, variation or waiver of the Network Lease or any other Material Document that is not restricted by these Conditions, including Condition 4(b)(I), each Holder will be taken to have irrevocably and unconditionally agreed that it will not give any instruction to the Trustee, the Security Trustee or the Intercreditor Agent in respect to such amendment, variation of waiver and Clause 4.8(a) of the Intercreditor Deed will apply. The holding of any Note shall be conclusive evidence of such agreement without any further action being required to be taken by any Holder (and may be relied upon by the Trustee, the Security Trustee or the Intercreditor Agent).

(c) **Limitation on Liens:** So long as any Notes are outstanding, each Obligor will not create or allow to exist a Lien over all or any of its assets, in each case to secure any present or future Financial Indebtedness, without effectively providing that the Notes of each series (together with, if the Issuer shall so determine, any other Financial Indebtedness of the Issuer or the Guarantors which is not subordinate in right of payment to the prior payment in full of the Notes) shall be secured equally and ratably with (or prior to) such secured Financial Indebtedness, so long as such secured Financial Indebtedness shall be so secured, except for:

1. any Lien existing at the Issue Date;

2. any Lien or charge arising by operation of law in the ordinary course of business;

3. a repairer's Lien arising in the ordinary course of business that relates to a payment obligation that is not yet due for payment or due for payment but contested in good faith and by appropriate proceedings that are being conducted diligently and do not involve a material risk of the foreclosure, sale, forfeiture or loss of or material interference with any asset or any title to, use of or interest in any asset;

4. a retention of title arrangement in connection with the acquisition of goods in the ordinary course of business (which terms must require payment within 90 days);

5. any bankers' Lien, rights of set-off or other netting arrangements arising in respect of any Financial Indebtedness;

6. any Lien for (i) rates, Taxes, duties or fees of any kind payable to a Governmental Agency or (ii) money payable for work performed by suppliers, mechanics, workmen, repairmen or employees and, in each case, arising in the ordinary course of business, in each case either not yet due or being contested in good faith by the Obligors;

7. any Lien arising under an ICD Security;

8. any Lien over an asset that has been acquired by way of a finance lease or operating lease;

9. any Lien over an asset created before that asset was acquired by the relevant Obligor but not in contemplation of its acquisition and where the amount secured by such Lien is not increased following such acquisition and (unless such Lien is otherwise permitted under another clause of this section) such Lien is discharged in full within 90 days of the acquisition;

10. any Lien arising or deemed to arise only under or only by reason of the operation of the PPSA:

    (i) in relation to personal property acquired by it in the ordinary course of its business in favor of a seller of the personal property and as security for all or part of the purchase price of that personal property so long as the debt it secures is paid when due or contested in good faith and sufficient resources of liquid assets have been set aside to pay the debt if the contest is unsuccessful;

    (ii) provided that it does not in substance secure payment or performance of an obligation, that is created or provided for by (A) a transfer of an account receivable or chattel paper, (B) a PPS lease or (C) a commercial consignment, in each case as defined under the PPSA;

11. any Lien, provided that the aggregate of the amounts secured by Liens under this paragraph 4(c)(11) at any time is not greater than A$100 million or its equivalent in other currencies;

12. any Lien permitted under an ICD Finance Document; and

13. any Lien which replaces a Lien described in paragraphs (1) to (12) of this Condition 4(c).

(d) **Change of Control Triggering Event:** If so specified in the applicable Pricing Supplement, any Notes of any series that require that the Issuer make an offer to purchase upon a Change of Control Triggering Event shall be purchased by the Issuer in accordance with their terms and in accordance with this Condition 4(d).

Upon the occurrence of a Change of Control Triggering Event unless the Issuer has exercised its right to redeem the Notes in accordance with this Condition 4(d), each Holder of Notes of such series will have the right to require the Issuer to purchase all or a portion of such Holder's Notes pursuant to the offer described below (the "**Change of Control Offer**"), at a purchase price equal to 100 per cent. of the principal amount thereof plus accrued and unpaid interest, if any, to (but excluding) the Change of Control Payment Date (as defined below), subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date.

Within 30 days following the date upon which the Change of Control Triggering Event occurred, or at the Issuer's option, prior to any Change of Control but after the public announcement of the pending Change of Control, the Issuer will be required to send, a notice to each Holder of Notes of such series, with a copy to the Trustee, which notice shall govern the terms of the Change of Control Offer. Such notice shall refer specifically to this Condition 4(d) and describe in reasonable detail such Change of Control Triggering Event and shall state, among other things, the purchase date, which must be no earlier than 45 days nor later than 130 days from the date such notice is mailed, other than as may be required by law (the "**Change of Control Payment Date**"). The notice, if mailed prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditional on the Change of Control being consummated on or prior to the Change of Control Payment Date. Holders of Notes of such series electing to have their Notes purchased pursuant to a Change of Control Offer will be required to deposit (in the case of Bearer Notes) their Notes (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office during the hours of 9:30 a.m. to 3:30 p.m. (London time) Monday to Friday (excluding public holidays), together with a duly completed form entitled "Option of Holder to Elect Purchase" in the form obtainable from any Paying Agent or Transfer Agent (as applicable) prior to the close of business on the third Business Day prior to the Change of Control Payment Date.

The Issuer will not be required to make a Change of Control Offer if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by the Issuer and such third party purchases all Notes of such series properly tendered and not withdrawn under its offer.

None of the Trustee or the Agents shall be required to take any steps to ascertain whether a Change of Control Triggering Event, a Change of Control or a Change of Control Offer or any event which could lead to a Change of Control or a Change of Control Offer has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. None of the Trustee or the Agents shall be required to take any steps to ascertain whether the condition for the exercise of the rights of Noteholders in accordance with this Condition 4(d) has occurred. None of the Trustee or the Agents shall be responsible for determining or verifying whether a Note is to be accepted for redemption under this Condition 4(d) and will not be responsible to Noteholders for any loss or liability arising from any failure by it to do so. None of the Trustee or the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition and will not be responsible to Noteholders for any loss arising from any failure by it to do so.

(e) **Delivery of Certain Information:** For so long as any Notes are outstanding, the Obligors will provide to the Trustee a copy of the following information and reports:

1. as soon as available (and in any event not later than 120 days) after the close of each of its financial years, copies of the audited consolidated financial statements of the Group in respect of that financial year as adjusted to reflect the exclusion of any Excluded Subsidiary.

2. as soon as available (and in any event not later than 90 days) after the first half of each of its financial years, copies of the unaudited consolidated financial statements of the Group in respect of that half-year as adjusted to reflect the exclusion of any Excluded Subsidiary.

   At the same time that the financial statements are provided to the Trustee pursuant to this Condition 4(e), the Issuer (and/or the Guarantors) agrees to post such information and reports on the website of the Stock Exchange.

Delivery of the foregoing reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

5 Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown in the applicable pricing supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the applicable pricing supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable pricing supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable pricing supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable pricing supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable pricing supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the applicable pricing supplement;

(y) the Designated Maturity is a period specified in the applicable pricing supplement; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable pricing supplement.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes where the Reference Rate is not specified as being SONIA Benchmark, SOFR Benchmark, BBSW, BKBM, AONIA, €STR, TONA or SARON

(x) Where Screen Rate Determination is specified in the applicable pricing supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable pricing supplement as being other than EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable pricing supplement.

(y) if the Relevant Screen Page is not available or the Reference Rate has been permanently discontinued or is no longer administered or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall use, as a substitute for EURIBOR, and with respect to each Interest Determination Date thereafter, the alternative reference rate which has replaced EURIBOR, in customary market usage for the purposes of determining rates of interest in respect of floating rate notes to which EURIBOR applies as selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) in the jurisdiction of the Specified Currency that is consistent with accepted market practice (the "**Alternative Reference Rate**"). As part of such substitution, the Calculation Agent will, after consultation with the Issuer, make such adjustments to the Alternative Reference Rate or the Margin thereon, as well as the Business Day Convention, Interest Determination Dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such Alternative Reference Rate for debt obligations such as the Floating Rate Notes; provided, however, if the Calculation Agent determines, and following consultation with the Issuer, that there is no clear market consensus as to whether any Alternative Reference Rate has replaced EURIBOR, in customary market usage, the Issuer will appoint in its sole discretion an independent financial advisor (the "**Reference Rate IFA**") to determine the Alternative Reference Rate. The determination of an Alternative Reference Rate by the Reference Rate IFA will be binding on the Issuer, the Calculation Agent and the Noteholders. The Calculation Agent will not be responsible, and shall incur no liability to the Issuer or the Noteholders for any determination by the Reference Rate IFA of an acceptable replacement benchmark rate for determining the Alternative Reference Rate nor shall the Calculation Agent be responsible for ensuring that the Alternative Reference Rate as determined by the Reference Rate IFA is in compliance with any applicable law or regulation.

(C) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SONIA Benchmark

Where Screen Rate Determination is specified in the applicable pricing supplement as the manner in which the Rate of Interest is to be determined and where the Reference Rate is SONIA Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SONIA Benchmark.

The "**SONIA Benchmark**" will be determined based on Compounded Daily SONIA or SONIA Index, as follows:

(1) If Compounded Daily SONIA is specified in the applicable Pricing Supplement as the relevant SONIA Benchmark, Compounded Daily SONIA shall be calculated by the Calculation Agent on the relevant Interest Determination Date in accordance with the formula referenced below:

"**Compounded Daily SONIA**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily Sterling Overnight Index Average ("**SONIA**") rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date, as follows, and the

resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\text{SONIA}_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**Applicable Period**" means, in relation to an Interest Accrual Period:

A. where "SONIA Observation Lag" or "SONIA Lockout" is specified as the Observation Method in the applicable Pricing Supplement, such Interest Accrual Period; or

B. where "SONIA Observation Shift" is specified as the Observation Method in the applicable Pricing Supplement, the SONIA Observation Period relating to such Interest Accrual Period;

"**d**" means the number of calendar days in the relevant Applicable Period;

"**d_o**" means, for the relevant Applicable Period, the number of London Business Days in such Applicable Period;

"**i**" means, for the relevant Applicable Period, a series of whole numbers from one to d_o, each representing the relevant London Business Day in chronological order from (and including) the first London Business Day in such Applicable Period;

"**London Business Day**" or "**LBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**n_i**", for any London Business Day "*i*", means the number of calendar days from and including such London Business Day "*i*" up to but excluding the following London Business Day;

"**$SONIA_i$**" means, in respect of any London Business Day "*i*" in the Applicable Period, the SONIA Reference Rate for the SONIA Determination Date in relation to such London Business Day "*i*" provided that where "SONIA Lockout" is specified as the Observation Method, $SONIA_i$ in respect of each Non-Reset Date (if any) in an Applicable Period shall be $SONIA_i$ as determined in relation to the SONIA Rate Cut-Off Date;

"**SONIA Determination Date**" means, in respect of any London Business Day "*i*":

A. where "SONIA Observation Lag" is specified as the Observation Method in the applicable Pricing Supplement, the London Business Day falling "*x*" London Business Days prior to such London Business Day "*i*"; and

B. otherwise, such London Business Day "i";

"**SONIA Observation Period**" means, for the relevant Interest Accrual Period, the period from (and including) the date falling "*x*" London Business Days prior to the first day of such Interest Accrual Period (and the first Interest Accrual Period shall begin on and include the Interest Commencement Date) and ending on (but excluding) the date falling "*x*" London Business Days prior to the Interest Payment Date at the end of such Interest Accrual Period (or the date falling "*x*" London Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"**SONIA Rate Cut-Off Date**" means:

A. (where "SONIA Lockout" is specified as the Observation Method in the applicable Pricing Supplement) in relation to any Interest Accrual Period, the date falling "*x*" London Business Days prior to the Interest Payment Date in respect of the relevant Interest Accrual Period (or the date falling "*x*" London Business Days prior to such earlier date, if any, on which the Notes become due and payable); and

B. in any other circumstances, no SONIA Rate Cut-Off Date shall apply;

"**SONIA Reference Rate**" means, in respect of any London Business Day, a reference rate equal to the daily SONIA rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (on the London Business Day immediately following such London Business Day); and

"***x***" means five London Business Days (or such other number of London Business Days as specified in the applicable Pricing Supplement).

If, in respect of any London Business Day in the relevant Applicable Period, the SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be:

A. the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (or, if earlier, close of business) on the relevant London Business Day; plus

B. the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

Notwithstanding the paragraph above, in the event the Bank of England publishes guidance as to:

(a) how the SONIA Reference Rate is to be determined; or

(b) any rate that is to replace the SONIA Reference Rate,

the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest as specified in the applicable Pricing Supplement, and in consultation with the Issuer) shall, to the extent that it is reasonably practicable, follow such guidance in order to determine the SONIA rate for the purpose of the relevant Series of Notes for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement), the Rate of Interest shall be:

A. that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the applicable Pricing Supplement) relating to the relevant Interest Accrual Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period); or

B. if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Accrual Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period).

(2) If SONIA Index ("**SONIA Index**") is specified in the applicable Pricing Supplement as the relevant SONIA Benchmark, the SONIA Benchmark for each Interest Accrual Period shall be equal to the rate of return of a daily compound interest investment during the SONIA Observation Period corresponding to such Interest Accrual Period (with the daily SONIA rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left(\frac{SONIA\ Compounded\ Index_{END}}{SONIA\ Compounded\ Index_{START}} - 1\right) \times \left(\frac{365}{d}\right)$$

provided, however, that if the SONIA Compounded Index Value is not available in relation to any Interest Accrual Period on the Relevant Screen Page for the determination of either SONIA Compounded $Index_{START}$ or SONIA Compounded $Index_{END}$, the Rate of Interest shall be calculated for such Interest Accrual Period on the basis of Compounded Daily SONIA and using the "SONIA Observation Shift" method (as set out in Condition 5(b)(iii)(C)(1)).

In the formula above:

"***d***" means the number of calendar days in the relevant SONIA Observation Period;

"**London Business Day**", means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**SONIA Observation Period**" means, in respect of an Interest Accrual Period, the period from and including the date falling "*x*" London Business Days prior to the first day of such Interest Accrual Period (and the first Interest Accrual Period shall begin on and include the Interest Commencement Date) and ending on (but excluding) the date which is "*x*" London Business Days prior to the Interest Payment Date for such Interest Accrual Period (or the date falling "*x*" London Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"**SONIA Compounded Index**" means, in respect of an Interest Accrual Period, the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

"**SONIA Compounded** $\mathbf{Index_{START}}$" means the SONIA Compounded Index Value on the date which is "*x*" London Business Days preceding the first day of such Interest Accrual Period (or in the first Interest Accrual Period, the Interest Commencement Date);

"**SONIA Compounded** $\mathbf{Index_{END}}$" means, in respect of an Interest Accrual Period, the SONIA Compounded Index Value on the date which is "*x*" London Business Days preceding (i) the Interest Payment Date of such Interest Accrual Period, (ii) in the final Interest Accrual Period, the Maturity Date (in the case of a final Interest Accrual Period ending on the Maturity Date), or (iii) the date on which the relevant Series of Notes becomes due and payable;

"**SONIA Compounded Index Value**" means, in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised distributors on the Relevant Screen Page on such London Business Day or, if the value of the SONIA Compounded Index cannot be obtained from such authorised distributors, as published on the Bank of England's Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) on the next following London Business Day, provided, however, that in the event that the value originally published is subsequently corrected and such corrected value is published by the Bank of England, as the administrator of SONIA (or any successor administrator of SONIA) on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SONIA Compounded Index Value in relation to such London Business Day; and

"***x***" means, for any Interest Accrual Period, five London Business Days (or such other number of London Business Days as specified in the applicable Pricing Supplement).

(3) If the relevant Series of Notes become due and payable in accordance with Condition 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which such Notes became due and payable (with corresponding adjustments being deemed to be made to the Compounded Daily SONIA formula) and the Rate of Interest on such Notes shall, for so long as any such Notes remains outstanding, be that determined on such date.

(D) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark

Where Screen Rate Determination is specified in the applicable pricing supplement as the manner in which the Rate of Interest is to be determined, and where the Reference Rate is specified in the applicable Pricing Supplement as being "SOFR Benchmark", then the Rate of Interest applicable to the Notes for each Interest Accrual Period will, subject as provided below, be equal to the relevant SOFR Benchmark.

The "**SOFR Benchmark**" will be determined based on Compounded Daily SOFR or Compounded SOFR Index, as follows (subject in each case to Condition 5(l)):

(1) If Compounded Daily SOFR is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where "SOFR Observation Lag", "SOFR Lockout" or "Payment Delay" is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR) or the SOFR Observation Period (where "SOFR Observation Shift" is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR).

"**Compounded Daily SOFR**" shall be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) in accordance with one of the formulas referenced below depending upon which is specified as applicable in the applicable Pricing Supplement:

(i) SOFR Observation Lag

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-\times USBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**$SOFR_{i\text{-}xUSBD}$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement);

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**" for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(ii) SOFR Observation Shift

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**SOFRi**" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement);

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to do, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**" for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(iii) SOFR Lockout

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**SOFRi**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i), except that the SOFRi for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**");

"**n_i**" for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day; and

"**SOFR Rate Cut-Off Date**" means the date that is a number of U.S. Government Securities Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified in the applicable Pricing Supplement.

(iv) SOFR Payment Delay

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\text{SOFR}_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i), except that the SOFRi for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**");

"**n_i**" for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day;

"**SOFR Rate Cut-Off Date**" means the date that is a number of U.S. Government Securities Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified in the applicable Pricing Supplement.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the applicable pricing supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant Optional Redemption Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(v) SOFR Arithmetic Mean

If "SOFR Arithmetic Mean" is specified as being applicable in the applicable Pricing Supplement, the Rate of Interest with respect to each Interest Accrual Period shall be the arithmetic mean of the SOFR Reference Rate for each U.S. Government Securities Business Day during the period, plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement), where the SOFR Reference Rate on the SOFR Rate Cut-Off Date shall be used for the U.S. Government Securities Business Days in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Payment Date and where:

"**SOFR Rate Cut-Off Date**" means the date that is a number of U.S. Government Securities Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified in the applicable Pricing Supplement.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(D):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website; or

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) in the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement), subject to Condition 5(l), the Rate of Interest shall be:

(1) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the applicable Pricing Supplement) relating to the relevant Interest Accrual Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period); or

(2) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Accrual Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period); or

(iv) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(l) shall apply; and

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day.

(2) If Compounded SOFR Index ("**Compounded SOFR Index**") is specified in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**SOFR Index**" means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that*:

(i) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(iii)(D)(ii) "SOFR Observation Shift"; or

(ii) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(l) shall apply;

"**SOFR Index$_{End}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement) prior to the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Index$_{Start}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement) prior to the first day of such Interest Accrual Period;

"**SOFR Index Determination Time**" means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement); and

"**d_c**" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(D):

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York (currently, being https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index), or any successor source;

"**SOFR Benchmark Replacement Date**" means the date of occurrence of a Benchmark Event with respect to the then-current Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current Benchmark; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

If the relevant Series of Notes become due and payable in accordance with these Conditions, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

(E) Screen Rate Determination for Floating Rate Notes where the Reference Rate is BBSW or BKBM

Where Screen Rate Determination is specified in the applicable pricing supplement as the manner in which the Rate of Interest is to be determined, and where the Reference Rate is specified in the applicable Pricing Supplement as being "BBSW" or "BKBM", then the Rate of Interest applicable to the Notes for each Interest Accrual Period will, subject as provided below, be:

(i) where the Reference Rate is BBSW (the "**BBSW Rate**"), the rate for prime bank eligible securities having a tenor closest to the Interest Period which is designated as the "AVG MID" on the Refinitiv or Bloomberg Screen BBSW page (or any designation which replaces that designation on that page, or any replacement page) (or any designation which replaces that designation on that page, or any replacement page) at approximately 10.30 am in Sydney (or such other time at which such rate customarily appears on that page, including, if corrected, as recalculated and republished by the relevant administrator) on the first day of that Interest Accrual Period; or

(ii) where the Reference Rate is BKBM (the "**BKBM Rate**"), the "FRA" settlement rate administered by the New Zealand Financial Markets Association (NZFMA) (or any other person which takes over administration of that rate) for bank accepted bills having a tenor closest to the Interest Accrual Period, as displayed at or around 10.45 a.m. in Auckland and Wellington on the "BKBM" pages of the Thomson Reuters Screen (or any successor or replacement page) on the first day of that Interest Accrual Period

in each case plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement).

If the Issuer is unable to determine the Rate of Interest in accordance with the preceding paragraph either because:

(i) the BBSW Rate or BKBM Rate (as applicable) does not appear on the relevant page (or any replacement page) by the relevant time on that day (or such other time that is 15 minutes after the then prevailing time), or if it does appear but the Calculation Agent determines that there is an obvious error in that rate ("**Temporary Cessation Event**"); or,

(ii) a Discontinuation Event has occurred,

then the Rate of Interest means (in the following order of application):

(1) if a Temporary Cessation Event has occurred with the BBSW Rate or the BKBM Rate (as applicable), in the following order of precedence: the BBSW Administrator Recommended Rate, but if such rate cannot be determined, the BBSW Supervisor Recommended Rate, and if such rate cannot be determined the BBSW Calculation Agent Rate, and if such rate cannot be determined the Final Fallback Rate; or

(2) if a Discontinuation Event has occurred with respect to the BBSW Rate or the BKBM Rate (as applicable), in the following order of precedence: the AONIA Rate but if such rate cannot be determined, the RBA Recommended Rate and if such rate cannot be determined, the Final Fallback Rate.

As used in this Condition 5(b)(iii)(E):

"**AONIA**" mean the Reserve Bank of Australia Interbank Overnight Cash Rate;

"**BBSW Administrator Recommended Rate**" means a rate formally recommended for use by the administrator of BBSW;

"**BBSW Supervisor Recommended Rate**" means a rate formally recommended for use by the Australian Securities and Investment Commission (or any successor to the Australian Securities and Investment Commission carrying out the role as supervisor of BBSW);

"**BBSW Calculation Agent Rate**" means the rate determined by the Calculation Agent as a commercially reasonable alternative for BBSW taking into account any rate implemented by central counterparties and/or futures exchanges, in each case with trade volumes in derivatives of futures referencing BBSW that the Calculation Agent considers sufficient for that rate to be a representative rate;

"**Discontinuation Event**" means, in respect of any of the BBSW Rate, the BKBM Rate or the AONIA Rate (as the case may be, the "**Applicable Rate**"):

A. the Applicable Rate ceases to be published for a period of at least five Business Days or otherwise ceases to exist;

B. a public statement by the administrator of the Applicable Rate that it has ceased or that it will cease publishing the Applicable Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Applicable Rate);

C. a public statement by the supervisor of the administrator of the Applicable Rate, that the Applicable Rate has been or will be permanently or indefinitely discontinued;

D. a public statement by the supervisor of the administrator of the Applicable Rate as a consequence of which the Applicable Rate will be prohibited from being used either generally, or in respect of the Notes;

E. a public statement by the supervisor of the administrator of the Applicable Rate that the Applicable Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

F. it has become unlawful for any Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Note Holder using the Applicable Rate,

provided that a Discontinuation Event shall be deemed to occur:

(1) in the case of sub-paragraphs (B) and (C) above, on the date of the cessation of publication of the Applicable Rate or the discontinuation of the Applicable Rate, as the case may be;

(2) in the case of sub-paragraph (D) above, on the date of the prohibition of use of the Applicable Rate; or

(3) in the case of sub-paragraph (E) above, on the date with effect from which the Applicable Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and,

in each case, not the date of the relevant public statement; and

"**Final Fallback Rate**" means, if neither the BBSW Calculation Agent Rate, AONIA Rate nor the RBA Recommended Rate can be determined in accordance with these Conditions by the Calculation Agent, such other successor rate or alternative rate for BBSW Rate- or (as applicable) BKBM Rate-linked floating rate notes at such time determined by the Issuer (acting in good faith and in a commercially reasonable manner) or, an alternate financial institution appointed by the Issuer (in its sole discretion) to assist in determining the rate (in each case, a "**Determining Party**"), which rate is notified in writing to the Calculation Agent (with a copy to the Issuer) if determined by such Determining Party, together with such adjustment spread (which may be a positive or negative value or zero) that is customarily applied to the relevant successor rate or alternative rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for BBSW Rate- or (as applicable) BKBM Rate-linked floating rate notes at such time (together with such other adjustments to the Business Day Convention, interest determination dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such successor rate or alternative rate for BBSW- Rate or (as applicable) BKBM Rate-linked floating rate notes at such time), or, if no such industry standard is recognised or acknowledged, the method for calculating or determining such adjustment spread determined by such Determining Party (in consultation with the Issuer) to be appropriate. The rate determined by such Determining Party will be expressed as a percentage rate per annum and will be rounded up, if necessary, to the next higher one ten-thousandth of a percentage point (0.0001%). If no such successor rate or alternative rate can be determined, the BBSM Rate or (as applicable) BKBM Rate means the last determined Interest Rate applicable to the Notes or Interest Rate that would have been applicable had the Notes been on issue for a full Interest Period.

(F) Screen Rate Determination for Floating Rate Notes where the Reference Rate is AONIA

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, and if the Reference Rate is specified in the applicable Pricing Supplement as being "AONIA", then the Rate of Interest applicable to the Notes for each Interest Accrual Period will, subject as provided below, be Compounded Daily AONIA (the "**AONIA Rate**") plus the Adjustment Spread.

In this Condition 5(b)(iii)(F):

"**Adjustment Spread**" means such adjustment spread (which may be a positive or negative value or zero) that is customarily applied to the AONIA Rate to produce an industry-accepted replacement rate for BBSW or BKBM Rate-linked floating rate notes at such time, or, if no such industry standard is recognised or acknowledged, the method for calculating or determining such adjustment spread determined by the Calculation Agent to be appropriate or, if the Calculation Agent is unable to determine the quantum of, or a formula or methodology for determining, such adjustment spread, then determined by the Issuer (or any alternative financial institution appointed by the Issuer) acting in good faith and in a commercially reasonable manner;

"**AONIA**" mean the Reserve Bank of Australia Interbank Overnight Cash Rate;

"**AONIA Observation Period**" means the period from (and including) the date falling three Business Days prior to the first day of the relevant Interest Accrual Period (and the first Interest Accrual Period shall begin on and include the Interest Commencement Date) and ending on (but excluding) the date falling three Business Days prior to end of such Interest Period (or the date falling three Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"**Compounded Daily AONIA**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment during the AONIA Observation Period corresponding to such Interest Period (with daily AONIA as the reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fourth decimal place (i.e., to the nearest one ten-thousandth of a percentage point) with 0.0005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{AONIA_{\,i-3\ SBD}\times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**AONIA$_{i\text{-}3SBD}$**" means AONIA for the Business Day falling three Business Days prior to such Business Day "i";

"***d***" is the number of calendar days in the relevant Interest Accrual Period;

"***d$_0$***" is the number of Business Days in the relevant Interest Accrual Period;

"***i***" is a series of whole numbers from 1 to d_0, each representing the relevant Business Day in chronological order from (and including) the first Business Day in the relevant Interest Accrual Period to (and including) the last Business Day in such Interest Accrual Period; and

"**n$_i$**," for any Business Day "*i*", means the number of calendar days from (and including) such Business Day "*i*" up to (but excluding) the following Business Day;

"**Interest Determination Date**" means the third Business Day (or otherwise specified in the applicable Pricing Supplement) prior to the last day of each Interest Accrual Period;

"**RBA Recommended Rate**" means the rate (inclusive of any spreads or adjustments) recommended as the replacement for AONIA by the Reserve Bank of Australia (which rate may be produced by the Reserve Bank of Australia or another administrator) and as provided by the administrator of that rate or, if that rate is not provided by the administrator (or a successor administrator) published by an authorised distributor; and

"**SBD**" means a Business Day.

(G) Screen Rate Determination for Floating Rate Notes where the Reference Rate is €STR

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, and if the Reference Rate is specified in the applicable Pricing Supplement as being "€STR", then the Rate of Interest applicable to the Notes for each Interest Accrual Period will, subject as provided below, be the rate of return of a daily compound interest investment (with the daily euro short-term rate as the reference rate for the calculation of interest) plus or minus (as indicated in the applicable Pricing Supplement) the applicable Margin (if any), all as determined by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date for such Interest Accrual Period, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{€\mathrm{STR}_{i\ x}\ n_i}{360}\right)-1\right]\times\frac{360}{d}$$

If the €STR is not published, as specified above, on any particular TARGET Business Day and no €STR Index Cessation Event (as defined below) has occurred, the €STR for such TARGET Business Day shall be the rate equal to €STR in respect of the last TARGET Business Day for which such rate was published on the website of the European Central Bank.

If the €STR is not published, as specified above, on any particular TARGET Business Day and both an €STR Index Cessation Event and an €STR Index Cessation Effective Date have occurred, the rate of €STR for each TARGET Business Day in the relevant Observation Period on or after such €STR Index Cessation Effective Date will be determined as if references to €STR were references to the ECB Recommended Rate.

If no ECB Recommended Rate has been recommended before the end of the first TARGET Business Day following the date on which the €STR Index Cessation Event occurs, then the rate of €STR for each TARGET Business Day in the relevant Observation Period on or after the €STR Index Cessation Effective Date will be determined as if references to €STR were references to the Modified EDFR.

If an ECB Recommended Rate has been recommended and both an ECB Recommended Rate Index Cessation Event and an ECB Recommended Rate Index Cessation Effective Date subsequently occur, then the rate of €STR for each TARGET Business Day in the relevant Observation Period occurring on or after that ECB Recommended Rate Index Cessation Effective Date will be determined for the purposes of as if references to €STR were references to the Modified EDFR.

Any substitution of the €STR, as specified above, will remain effective for the remaining term to maturity of the relevant Notes.

If the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent, (i) the Rate of Interest shall be that determined as at the last preceding Interest Determination Date, (ii) if there is no such preceding Interest Determination Date, the Rate of Interest shall be determined as if the rate of €STR for each TARGET Business Day in the Observation Period on or after such €STR Index Cessation Effective Date were references to the latest published ECB Recommended

Rate or, if EDFR is published on a later date than the latest published ECB Recommended Rate, the Modified EDFR, or (iii) if there no such preceding Interest Determination Date and there is no published ECB Recommended Rate or Modified EDFR available, the rate of €STR for each TARGET Business Day in the Observation Period on or after such €STR Index Cessation Effective Date were references to the latest published €STR (though substituting, in each case, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

In this Condition 5(b)(iii)(G):

"**d**" is the number of calendar days in:

(i) where "Observation Lookback" is specified as the Observation Method in the applicable Pricing Supplement, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Pricing Supplement, the relevant Observation Period.

"$\mathbf{d_0}$" for any Interest Period, is:

(i) where "Observation Lookback" is specified as the Observation Method in the applicable Pricing Supplement, the number of TARGET Business Days in the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the applicable Pricing Supplement, the number of TARGET Business Days in the relevant Observation Period.

"**ECB Recommended Rate**" means a rate (inclusive of any spreads or adjustments) recommended as the replacement for €STR by the European Central Bank (or any successor administrator of €STR) and/or by a committee officially endorsed or convened by the European Central Bank (or any successor administrator of €STR) for the purpose of recommending a replacement for €STR (which rate may be produced by the European Central Bank or another administrator), as determined by the Issuer and notified by the Issuer to the Calculation Agent;

"**ECB Recommended Rate Index Cessation Event**" means the occurrence of one or more of the following events, as determined by the Issuer and notified by the Issuer to the Calculation Agent:

A. a public statement or publication of information by or on behalf of the administrator of the ECB Recommended Rate announcing that it has ceased or will cease to provide the ECB Recommended Rate permanently or indefinitely, provided that, at the time of the statement or the publication, there is no successor administrator that will continue to provide the ECB Recommended Rate; or

B. a public statement or publication of information by the regulatory supervisor for the administrator of the ECB Recommended Rate, the central bank for the currency of the ECB Recommended Rate, an insolvency official with jurisdiction over the administrator of the ECB Recommended Rate, a resolution authority with jurisdiction over the administrator of the ECB Recommended Rate or a court or an

entity with similar insolvency or resolution authority over the administrator of the ECB Recommended Rate, which states that the administrator of the ECB Recommended Rate has ceased or will cease to provide the ECB Recommended Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the ECB Recommended Rate;

"**ECB Recommended Rate Index Cessation Effective Date**" means, in respect of an ECB Recommended Rate Index Cessation Event, the first date on which the ECB Recommended Rate is no longer provided, as determined by the Issuer and notified by the Issuer to the Calculation Agent;

"**ECB €STR Guideline**" means Guideline (EU) 2019/1265 of the European Central Bank of 10 July 2019 on the euro short-term rate (€STR) (*ECB/2019/19*), as amended from time to time;

"**EDFR**" means the Eurosystem Deposit Facility Rate, the rate on the deposit facility, which banks may use to make overnight deposits with the Eurosystem (comprising the European Central Bank and the national central banks of those countries that have adopted the Euro) as published on the Website of the European Central Bank;

"**EDFR Spread**" means:

A. if no ECB Recommended Rate is recommended before the end of the first TARGET Business Day following the date on which the €STR Index Cessation Event occurs, the arithmetic mean of the daily difference between the €STR and the EDFR for each of the 30 TARGET Business Days immediately preceding the date on which the €STR Index Cessation Event occurred; or

B. if an ECB Recommended Rate Index Cessation Event occurs, the arithmetic mean of the daily difference between the ECB Recommended Rate and the EDFR for each of the 30 TARGET Business Days immediately preceding the date on which the ECB Recommended Rate Index Cessation Event occurred;

"**€STR**" means, in respect of any TARGET Business Day, the interest rate representing the wholesale Euro unsecured overnight borrowing costs of banks located in the Euro area provided by the European Central Bank as administrator of such rate (or any successor administrator) and published on the Website of the European Central Bank (as defined below) at or before 9:00 a.m. (Frankfurt time) (or, in case a revised euro short-term rate is published as provided in Article 4 subsection 3 of the ECB €STR Guideline at or before 11:00 a.m. (Frankfurt time), such revised interest rate) on the TARGET Business Day immediately following such TARGET Business Day;

"**€STR$_i$**" means:

A. where "Observation Lookback" is specified as the Observation Method in the applicable Pricing Supplement, the €STR for the TARGET Business Day falling "*p*" TARGET Business Days prior to the relevant TARGET Business Day "*i*"; or

B. where "Observation Shift" is specified as the Observation Method in the applicable Pricing Supplement, the €STR for the TARGET Business Day "*i*";

"**€STR Index Cessation Event**" means the occurrence of one or more of the following events, as determined by the Issuer and notified by the Issuer to the Calculation Agent:

A. a public statement or publication of information by or on behalf of the European Central Bank (or any successor administrator of €STR) announcing that it has ceased or will cease to provide €STR permanently or indefinitely, provided that, at the time of the statement or the publication, there is no successor administrator that will continue to provide €STR; or

B. a public statement or publication of information by the regulatory supervisor for the administrator of €STR, the central bank for the currency of €STR, an insolvency official with jurisdiction over the administrator of €STR, a resolution authority with jurisdiction over the administrator of €STR or a court or an entity with similar insolvency or resolution authority over the administrator of €STR, which states that the administrator of €STR has ceased or will cease to provide €STR permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide €STR;

"**€STR Index Cessation Effective Date**" means, in respect of an €STR Index Cessation Event, the first date on which €STR is no longer provided by the European Central Bank (or any successor administrator of €STR), as determined by the Issuer and notified by the Issuer to the Calculation Agent;

"**i**" is a series of whole numbers from one to do, each representing the relevant TARGET Business Day in chronological order from, and including, the first TARGET Business Day in:

A. where "Observation Lookback" is specified as the Observation Method in the applicable Pricing Supplement, the relevant Interest Accrual Period, to, but excluding, the Interest Payment Date corresponding to such Interest Accrual Period; or

B. where "Observation Shift" is specified as the Observation Method in the applicable Pricing Supplement, the relevant Observation Period, to, but excluding, the Interest Payment Date corresponding to such Observation Period.

"**Modified EDFR**" means a reference rate equal to the EDFR plus the EDFR Spread;

"$\mathbf{n_i}$" for any TARGET Business Day "i" is the number of calendar days from, and including, the relevant TARGET Business Day "i" up to, but excluding, the immediately following TARGET Business Day in the relevant Interest Accrual Period;

"**Observation Period**" means in respect of any Interest Accrual Period, the period from and including the date falling "p" TARGET Business Days prior to the first day of the relevant Interest Period (and the first Observation Period shall begin on and include the date falling "p" TARGET Business Days prior to the Interest Commencement Date) and ending on, but excluding, the date falling "p" TARGET Business Day prior to the Interest Payment Date of such Interest Period (or the date falling "p" TARGET Business Day prior to such earlier date, if any, on which the Notes become due and payable);

"**p**" means:

A. where "Observation Lookback" is specified as the Observation Method in the applicable Pricing Supplement, in relation to any Interest Accrual Period, the number of TARGET Business Days included in the Observation Lookback Period, as specified in the applicable Pricing Supplement (or if no such number is specified, five TARGET Business Days); or

B. where "Observation Shift" is specified as the Observation Method in the applicable Pricing Supplement, in relation to any Interest Accrual Period, the number of TARGET Business Days included in the Observation Shift Period, as specified in the applicable Pricing Supplement (or if no such number is specified, five TARGET Business Days).

"**website of the European Central Bank**" means the website of the European Central Bank currently at http://www.ecb.europa.eu or any successor website officially designated by the European Central Bank.

(H) Screen Rate Determination for Floating Rate Notes where the Reference Rate is TONA

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, and if the Reference Rate is specified in the applicable Pricing Supplement as being "TONA", then the Rate of Interest applicable to the Notes for each Interest Accrual Period will, subject as provided below, be the rate of return of a daily compounded interest investment (with the daily rates of the day-to-day interbank JPY market in Tokyo as the reference rate for the calculation of interest) plus or minus (as indicated in the applicable Pricing Supplement) the applicable Margin (if any), all as determined by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date for such Interest Accrual Period, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards:

$$\left[\prod_{\mathrm{i}=1}^{d_o}\left(1+\frac{\mathrm{TONA}_{\mathrm{i-p\ TBD}}\times n_{\mathrm{i}}}{365}\right)-1\right]\times\frac{365}{d}$$

In this Condition 5(b)(iii)(H):

"**d**" is the number of calendar days in the relevant Interest Accrual Period;

"**d_0**" is the number of Tokyo Banking Days in the relevant Interest Accrual Period;

"**i**" is a series of whole numbers from one to d_0, each representing the relevant Tokyo Banking Day in chronological order from, and including, the first Tokyo Banking Day in the relevant Interest Accrual Period;

"**n_i**" means, for any Tokyo Banking Day "i", the number of calendar days from and including such Tokyo Banking Day "i" up to but excluding the following Tokyo Banking Day ("i+1");

"**Observation Lookback Period**" is as specified in the Pricing Supplement;

"**p**" means, in relation to any Interest Accrual Period, the number of Tokyo Banking Days included in the Observation Lookback Period, as specified in the Pricing Supplement;

"**Tokyo Banking Day**" or "**TBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in Tokyo;

"**TONA**", in respect of any Tokyo Banking Day, is a reference rate equal to the daily Tokyo OverNight Average rate in respect of such Tokyo Banking Day as published by the Bank of Japan on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors, on the Tokyo Banking Day immediately following such Tokyo Banking Day; and

"**$TONA_{i\text{-}pTBD}$**", means for any Tokyo Banking Day "i" falling in the relevant Interest Period, the TONA in respect of the Tokyo Banking Day falling "p" Tokyo Banking Days prior to the relevant Tokyo Banking Day "i".

If, in respect of that Tokyo Banking Day falling "p" Tokyo Banking Days prior to the relevant Tokyo Banking Day "i", the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) determines that the TONA is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such TONA shall be the TONA in respect of the first preceding Tokyo Banking Day on which the TONA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

If the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the Pricing Supplement), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period).

If the Notes become due and payable in accordance with the Conditions, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the Pricing Supplement, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Notes remains outstanding, be that determined on such date.

(I) Screen Rate Determination for Floating Rate Notes where the Reference Rate is SARON

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, and if the Reference Rate is specified in the applicable Pricing Supplement as being "SARON", then the Rate of Interest applicable to the Notes for each Interest Accrual Period will, subject as provided below, be the Compounded Daily SARON plus or minus (as indicated in the applicable Pricing Supplement) the applicable Margin (if any), all as determined by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date for such Interest Accrual Period, and the resulting percentage will be rounded, if necessary, to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards.

If the Calculation Agent determines at any time prior to the SARON Reference Time on any Zurich Banking Day that a SARON Index Cessation Event and the related SARON Index Cessation Effective Date have occurred, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) shall determine the SARON Replacement.

If there is no Recommended SARON Replacement Rate and the SNB Policy Rate for any Zurich Banking Day with respect to which SARON is to be determined has not been published on such Zurich Banking Day (the "**Affected Zurich Banking Day**"), then the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) will appoint an agent (the "**Replacement Rate Determination Agent**") on or prior to the first Zurich Banking Day in respect of which a SARON Index Cessation Event and related SARON Index Cessation Effective Date have occurred and for which the SNB Policy Rate has not been published. The Replacement Rate Determination Agent may be (i) a leading bank, broker-dealer or benchmark agent in the principal financial centre of the Specified Currency as appointed by the Calculation Agent, (ii) the Issuer, (iii) an affiliate of the Issuer or the Calculation Agent, or (iv) such other entity that the Calculation Agent determines to be competent to carry out such role.

The Replacement Rate Determination Agent will determine whether to use an alternative rate to SARON for the Affected Zurich Banking Day and for all subsequent Zurich Banking Days in the SARON Observation Period in which the Affected Zurich Banking Day falls (the "**Affected SARON Observation Period**") and all SARON Observation Periods thereafter.

In this Condition 5(b)(iii)(I), for the purposes of determining the Rate of Interest:

A. the Replacement Rate Determination Agent shall determine: (A) the method for determining the SARON Replacement (including any alternative method for determining the SARON Replacement if such alternative rate is unavailable on the relevant Interest Determination Date), which method shall be consistent with industry-accepted practices for the SARON Replacement and (B) any adjustment factor as may be necessary to make the SARON Replacement comparable to the then-current SARON Benchmark consistent with industry-accepted practices for the SARON Replacement;

B. for the Affected Zurich Banking Day and all subsequent Zurich Banking Days in the Affected SARON Observation Period and all SARON Observation Periods thereafter, references to SARON in the Conditions shall be deemed to be references to the SARON Replacement, including any alternative method for determining such rate and any adjustment factor as described in sub-clause A above;

C. the Replacement Rate Determination Agent may make SARON Replacement Conforming Changes with respect to the Notes from time to time;

D. any determination, decision or election that may be made by the Replacement Rate Determination Agent pursuant to this Condition 5(b)(iii)(I) including any SARON Replacement Conforming Changes or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, in each case, solely with respect to the relevant Notes, will be conclusive and binding absent manifest error and will be made by the Replacement Rate Determination Agent acting in good faith and a commercially reasonable manner;

E. to the extent that there is any inconsistency between this Condition and any other Condition, this Condition 5(b)(iii)(I) shall prevail with respect to any Notes for which the Rate of Interest or Rate is calculated in accordance with this Condition 5(b)(iii)(I);

F. the Calculation Agent may determine that it is appropriate for a SARON Replacement to replace the then-current SARON Benchmark and apply any SARON Replacement Conforming Changes in respect of any subsequent SARON Index Cessation Event; and

G. where a SARON Index Cessation Event or details of it are announced prior to the relevant SARON Index Cessation Effective Date, then the Replacement Rate Determination Agent may on or after such earlier announcement date give notice to Noteholders in accordance with Condition 16 of the relevant changes which will be made to the Notes, provided that, such changes will only take effect as of the SARON Index Cessation Effective Date.

In this Condition 5(b)(iii)(I):

"**Compounded Daily SARON**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment in Swiss francs (with the daily overnight interest rate of the secured funding market for Swiss franc as the reference rate for the calculation of interest) calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement), on the relevant Interest Determination Date, in accordance with the following formula:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\mathrm{SARON}_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

"**d**" means, in respect of a SARON Observation Period, the number of calendar days in such SARON Observation Period;

"$\mathbf{d_0}$" means, in respect of a SARON Observation Period, the number of Zurich Banking Days in such SARON Observation Period;

"**i**" means a series of whole numbers from one to d_0, each representing the relevant Zurich Banking Days in the relevant SARON Observation Period in chronological order from, and including, the first Zurich Banking Day in such SARON Observation Period;

"**Lookback Period**" or "**p**" means, in respect of an Interest Accrual Period, the number of Zurich Banking Days specified in the applicable Pricing Supplement (or, if no such number is specified, five Zurich Banking Days);

"$\mathbf{n_i}$" means, in respect of any Zurich Banking Day i, the number of calendar days from (and including) such Zurich Banking Day i to (but excluding) the first following Zurich Banking Day;

"**Recommended SARON Adjustment Spread**" means, with respect to any Recommended SARON Replacement Rate:

A. the spread (which may be positive, negative or zero), formula or methodology for calculating such a spread, that the Recommending Body has recommended be applied to such Recommended SARON Replacement Rate in the case of fixed income securities with respect to which such Recommended SARON Replacement Rate has replaced the Swiss Average Rate Overnight as the reference rate for the purposes of determining the applicable rate of interest thereon; or

B. if the Recommending Body has not recommended such a spread, formula or methodology as described in clause I above to be applied to such Recommended SARON Replacement Rate, for the purposes of determining SARON, the Calculation Agent will determine the spread, acting in good faith and in a commercially reasonable manner, to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the Swiss Average Rate Overnight with such Recommended SARON Replacement Rate. The Calculation Agent will take into account industry-accepted practices for fixed income securities with respect to which such Recommended SARON Replacement Rate has replaced the Swiss Average Rate Overnight as the reference rate for the purposes of determining the applicable rate of interest thereon;

"**Recommended SARON Replacement Rate**" means the rate that has been recommended as the replacement for the Swiss Average Rate Overnight by any working group or committee in Switzerland organised in the same or a similar manner as the National Working Group on Swiss Franc Reference Rates that was founded in 2013 for the purposes of, among other things, considering proposals to reform reference interest rates in Switzerland (any such working group or committee, the "**Recommending Body**");

"**SARON**" means, in respect of any Zurich Banking Day:

A. the Swiss Average Rate Overnight for such Zurich Banking Day published by the SARON Administrator on the Relevant Screen Page (or such replacement page which displays the information) at the SARON Reference Time;

B. if such rate is not so published on the Relevant Screen Page at the SARON Reference Time on such Zurich Banking Day, other than as a consequence of a SARON Index Cessation Event for which a SARON Index Cessation Effective Date has occurred at or prior to the SARON Reference Time on such Zurich Banking Day, the Swiss Average Rate Overnight published on the Relevant Screen Page for the first preceding Zurich Banking Day for which the Swiss Average Rate Overnight was published on the Relevant Screen Page; or

C. if such rate is not so published on the Relevant Screen Page at the SARON Reference Time on such Zurich Banking Day as a consequence of a SARON Index Cessation Event for which a SARON Index Cessation Effective Date has occurred at or prior to the SARON Reference Time on such Zurich Banking Day, the SARON Replacement determined as per the below;

"**SARON Administrator**" means SIX Swiss Exchange AG (or any successor administrator);

"**SARON Benchmark**" means, initially, Compounded Daily SARON (as defined above), provided that, if a SARON Index Cessation Event and its related SARON Index Cessation Effective Date have occurred with respect to Compounded Daily SARON, or the then-current SARON Benchmark, then "SARON Benchmark" means the applicable SARON Replacement.

"**SARON Index Cessation Effective Date**" means the earliest of:

A. in the case of the occurrence of a SARON Index Cessation Event described in clause (A) of the definition thereof, the date on which the SARON Administrator ceases to provide the Swiss Average Rate Overnight;

B. in the case of the occurrence of a SARON Index Cessation Event described in sub clause (B)(x) of the definition thereof, the latest of:

   (i) the date of such statement or publication;

   (ii) the date, if any, specified in such statement or publication as the date on which the Swiss Average Rate Overnight will no longer be representative; and

   (iii) if a SARON Index Cessation Event described in sub-clause (A) of the definition thereof has occurred on or prior to either or both dates specified in sub-clauses (i) and (ii) of this clause (B), the date as of which the Swiss Average Rate Overnight may no longer be used; and

C. in the case of the occurrence of a SARON Index Cessation Event described in sub clause (B)(y) of the definition thereof, the date as of which the Swiss Average Rate Overnight may no longer be used;

"**SARON Index Cessation Event**" means the occurrence of one or more of the following events:

A. a public statement or publication of information by or on behalf of the SARON Administrator, or by any competent authority, announcing or confirming that the SARON Administrator has ceased or will cease to provide the Swiss Average Rate Overnight permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Swiss Average Rate Overnight; or

B. a public statement or publication of information by the SARON Administrator or any competent authority announcing that (x) the Swiss Average Rate Overnight is no longer representative or will as of a certain date no longer be representative, or (y) the Swiss Average Rate Overnight may no longer be used after a certain date, which statement, in the case of sub-clause (y), is applicable to (but not necessarily limited to) fixed income securities and derivatives;

"**SARON Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling p Zurich Banking Days prior to the first day of the relevant Interest Accrual Period and ending on (but excluding) the date which is p Zurich Banking Days prior to the end of such Interest Accrual Period;

"**SARON Reference Time**" means, in respect of any Zurich Banking Day, the close of trading on the trading platform of SIX Repo AG (or any successor thereto) on such Zurich Banking Day, which is expected to be at or around 6 p.m. (Zurich time);

"**SARON Replacement**" means the first alternative set forth in the order below that can be determined by the Replacement Rate Determination Agent as of the SARON Index Cessation Effective Date:

A. the Recommended SARON Replacement Rate for such Zurich Banking Day, giving effect to the Recommended SARON Adjustment Spread, if any, published on such Zurich Banking Day;

B. the policy rate of the Swiss National Bank (the "**SNB Policy Rate**") for such Zurich Banking Day, giving effect to the SNB Adjustment Spread, if any; or

C. the alternative rate of interest that has been selected by the Replacement Rate Determination Agent as the replacement for the then-current SARON Benchmark, being such industry-accepted successor rate or, if no such rate exists, it shall select such rate that it has determined is most comparable to the Swiss Average Rate Overnight;

"**SARON Replacement Conforming Changes**" means, with respect to any SARON Replacement, any technical, administrative or operational changes (including, but not limited to, timing and frequency of determining rates with respect to each interest period and making payments of interest, rounding of amounts or tenors, day count fractions, business day convention, amendments to any other Condition and other administrative matters) that the Replacement Rate Determination Agent decides may be appropriate to reflect the adoption of such SARON Replacement in a manner substantially consistent with market practice (or, if the Replacement Rate Determination Agent determines that adoption of any portion of such market practice is not administratively feasible or if the Replacement Rate Determination Agent determines that no market practice for use of the SARON Replacement exists, in such other manner as the Replacement Rate Determination Agent or the Calculation Agent, as the case may be, determines is reasonably necessary, acting in good faith and in a commercially reasonable manner);

"**$SARON_i$**" means, in respect of any Zurich Banking Day i, SARON as provided by the SARON Administrator to, and published by, authorised distributors of SARON in respect of that day at the SARON Reference Time (or any amended publication time as specified by the SARON Administrator in the SARON benchmark methodology) on such Zurich Banking Day;

"**SNB Adjustment Spread**" means, with respect to the SNB Policy Rate, the spread to be applied to the SNB Policy Rate in order to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the Swiss Average Rate Overnight with the SNB Policy Rate for the purposes of determining SARON, which spread will be determined by the Calculation Agent, acting in good faith and in a commercially reasonable manner, taking into account the historical median between the Swiss Average Rate Overnight and the SNB Policy Rate during the two year period ending on the date on which the SARON Index Cessation Event occurred (or, if more than one SARON Index Cessation Event has occurred, the date on which the first of such events occurred); and

"**Zurich Banking Day**" means any day (other than a Saturday and Sunday) on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in Zurich.

(J) Linear Interpolation

Where Linear Interpolation is specified in the applicable pricing supplement as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the applicable pricing supplement as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified in the applicable pricing supplement as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable pricing supplement and interest will accrue by reference to an Index or Formula as specified in the applicable pricing supplement.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable pricing supplement.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable pricing supplement.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified in the applicable pricing supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the applicable pricing supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable pricing supplement, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other

relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which T2 is open for settlement of payments in euro (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified in the applicable pricing supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable pricing supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable pricing supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable pricing supplement, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable pricing supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable pricing supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified in the applicable pricing supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified in the applicable pricing supplement,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such in the applicable pricing supplement or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable pricing supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable pricing supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the applicable pricing supplement.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable pricing supplement or, if none is so specified,

(i) the first day of such Interest Accrual Period if the Specified Currency is Sterling (and in such case only if the relevant Reference Rate is not SONIA Benchmark); or

(ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro and if the relevant Reference Rate is not SONIA Benchmark or SOFR Benchmark; or

(iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro; or

(iv) (where SONIA Benchmark is specified in the applicable Pricing Supplement as the Reference Rate) (A) (where "SONIA Lockout" is specified as the Observation Method in the applicable Pricing Supplement) the London Business Day immediately following the SONIA Rate Cut-Off Date and (B) (in all other circumstances) the fifth London Business Day (or as otherwise specified in the applicable Pricing Supplement) prior to the last day of each Interest Accrual Period; or

(v) (where SOFR Benchmark is specified in the applicable Pricing Supplement as the Reference Rate) (A) (where "SOFR Lockout" is specified as the Observation Method in the applicable Pricing Supplement) the U.S. Government Securities Business Day immediately following the SOFR Rate Cut-Off Date and (B) (in all other circumstances) the fifth U.S. Government Securities Business Day (or as otherwise specified in the applicable Pricing Supplement) prior to the last day of each Interest Accrual Period.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified in the applicable pricing supplement.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the applicable pricing supplement.

"**ISDA Definitions**" means the 2006 ISDA Definitions or the 2021 ISDA Interest Rate Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable pricing supplement.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the applicable pricing supplement.

"**Reference Rate**" means the rate specified as such in the applicable pricing supplement.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable pricing supplement (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such in the applicable pricing supplement or, if none is specified, the currency in which the Notes are denominated.

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(k) **Calculation Agent:** The Bank of New York Mellon, London Branch may be appointed as Calculation Agent in respect of any series of Notes if it expressly agrees in writing with the Issuer to act as such for such series. The Bank of New York Mellon, London Branch shall be provided with the pricing supplement (in draft or final form) for each series of Notes which the Issuer proposes to issue no later than three Business Days before the Issue Date and the same may be accompanied by a request in writing for The Bank of New York Mellon, London Branch to act as Calculation Agent. If it agrees to accept such appointment, The Bank of New York Mellon, London Branch shall notify in writing the Issuer no later than three Business Days after receipt of the documents mentioned above. If no such notification is received by the Issuer then The Bank of New York Mellon, London Branch will be deemed to have declined to act as Calculation Agent for that series of Notes. In such case and where The Bank of New York Mellon, London Branch expressly declines the role of calculation agent for a particular series of notes, the Issuer shall appoint another entity as Calculation Agent. The Bank of New York Mellon, London Branch shall have no duty to verify the calculations performed or to be performed by any other Calculation Agent in respect of such series of Notes and shall have no responsibility or liability for any loss arising from any failure or delay on the part of any other Calculation Agent in making such calculations for which such other Calculation Agent is responsible.

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable pricing supplement and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other

requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(l) Benchmark Discontinuation (SOFR):

This Condition 5(l) shall only apply to U.S. dollar-denominated Notes where so specified in the applicable Pricing Supplement.

The following provisions shall only apply if Condition 5(l) (*Benchmark Discontinuation (SOFR)*) is specified as applicable in the applicable Pricing Supplement:

(A) Benchmark Replacement

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, the Trustee and any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(l), provided that the Trustee and the Agents shall not be obliged so to concur if in the opinion of the Trustee or the relevant Agent doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee, or as the case may be, the relevant Agent in these Conditions, the Trust Deed and/or the Agency Agreement (including for the avoidance of doubt, any supplemental agency agreement) in any way. Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Trustee or any of the Agents (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(l), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(D) Definitions

The following defined terms shall have the meanings set out below for purpose of this Condition 5(l):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the sum of:

(a) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(b) the Benchmark Replacement Adjustment;

(ii) the sum of:

(a) the ISDA Fallback Rate; and

(b) the Benchmark Replacement Adjustment; or

(iii) the sum of:

(a) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(b) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of sub-paragraph (i) or (ii) of the definition of "Benchmark Event", the later of:

(a) the date of the public statement or publication of information referenced therein; and

(b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of sub-paragraph (iii) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions or the 2021 ISDA Interest Rate Derivatives Definitions, each as published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Compounded Daily SOFR is specified as applicable in the applicable Pricing Supplement) or SOFR Index Determination Time (where SOFR Index is specified as applicable in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(m) Benchmark Discontinuation (General):

This Condition 5(m) shall only apply to non U.S. dollar-denominated Notes where the Reference Rate is non-SOFR Benchmark, non-SONIA Benchmark, non-€STR and non-SARON, and where so specified in the applicable Pricing Supplement.

(A) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(m)(B)) and, in either case, an Adjustment Spread and any Benchmark Amendments

(in accordance with Condition 5(m)(D)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(m) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, or the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5(m).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(m) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(m).

(B) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(m); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(m)).

(C) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(D) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(m) and the Independent Adviser determines (i) that amendments to these Conditions and/or the Trust Deed/ Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such

amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(m)(E), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed/Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of an Officer's Certificate pursuant to Condition 5(m)(E), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any deed of accession) in any way.

In connection with any such variation in accordance with this Condition 5(m)(D), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(E) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(v) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents an Officer's Certificate:

(a) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(m); and

(b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

(F) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5(m)(A), (B), (C) and (D), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii)(B)(y) will continue to apply unless and until a Benchmark Event has occurred.

(G) Definitions

As used in this Condition 5(m):

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(ii) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied);

(iii) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(m)(B) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(m)(D).

"**Benchmark Event**" means:

(i) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(ii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iii) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur in the case of sub-paragraphs (i) and (ii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(m)(A).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6 Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the applicable pricing supplement. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable pricing supplement at its Final Redemption Amount (which, unless otherwise provided in the applicable pricing supplement, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 4(d), Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable pricing supplement.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable pricing supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 4(d), Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the applicable pricing supplement.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 4(d), Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the applicable pricing supplement.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, a Guarantor) satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Commonwealth of Australia or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is

reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above without further enquiry and without liability to any Noteholder, Couponholder or any other person, in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified in the applicable pricing supplement, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable pricing supplement) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the applicable pricing supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable pricing supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable pricing supplement.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If Put Option is specified in the applicable pricing supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified in the applicable pricing supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable pricing supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office during the hours of 9.30 a.m. to 3.30 p.m. (London time) Monday to Friday (excluding public holidays), together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Redemption following a Common Prepayment Event:**

(i) If a Common Prepayment Event occurs, the Issuer will give written notice to the Noteholders (which notice shall be irrevocable), with a copy to the Trustee, referring to this Condition 6(f) and such notice shall describe in reasonable detail such Common Prepayment Event and:

A. set out the Available Proportion. The "**Available Proportion**" will be the proportion of the Common Prepayment Proceeds which is equal to the proportion borne by;

(i) the principal amount outstanding of all Notes; to

(ii) the aggregate of:

(aa) in relation to Senior Financial Indebtedness that is not a "**Note**" (as defined in the Intercreditor Deed) and where the terms of such Senior Financial Indebtedness have a corresponding Common Prepayment Event, the principal outstanding in respect of such Senior Financial Indebtedness;

(bb) in relation to Senior Financial Indebtedness that is a "**Note**" (as defined in the Intercreditor Deed) and where the terms of such Senior Financial Indebtedness have a corresponding Common Prepayment Event, the aggregate "Redemption Amount" (as defined in the Intercreditor Deed) of such "**Notes**"; and

(cc) after deducting any close-out amount (howsoever defined in a Hedging Agreement (as defined in the Intercreditor Deed)) that the Issuer is required to pay under any Hedging Agreement where the Issuer unwinds hedging that is no longer required as a result of the relevant Common Prepayment Event up to the amount necessary to ensure compliance with the Issuer's treasury hedging policy.

For the purposes of calculating the Available Proportion as of any date, the relevant amount of any Senior Financial Indebtedness denominated in a currency other than Australian Dollars shall be deemed to be the equivalent amount in Australian Dollars calculated by the Issuer using rates of exchange reasonably selected by the Issuer.

For the avoidance of doubt, in calculating the Available Proportion, the Issuer shall take into account any interest or other amounts payable by the Issuer in connection with an early redemption under this Condition and/or a corresponding provision of another ICD Finance Document, so that the maximum amount payable in respect of a Common Prepayment Event is the Common Prepayment Proceeds;

B. set out a Redemption Date. The "**Redemption Date**" will be a Business Day which is not less than 30 days and not more than 60 days after the date of such notice, but in no event later than the date on which any payment or prepayment with respect to such Common Prepayment Proceeds is to be made with respect to any other Senior Financial Indebtedness;

C. offer to redeem on the Redemption Date the Ratable Amount of each Note together with interest accrued thereon to but excluding the date of redemption. The "**Ratable Amount**" will be determined by dividing the Available Proportion by the number of Notes (with any adjustments to reflect different denominations as required) and taking into account the interest accrued thereon to but excluding the date of redemption, so that the maximum amount payable by the Issuer under this Condition is the Available Proportion; and

D. set out the Response Date. The "**Response Date**" will be a date at least three Business Days prior to the Redemption Date, or any closer date to the Redemption Date if the Redemption Date is within three Business Days of the notice.

(ii) None of the Trustee or the Agents shall be required to take any steps to ascertain whether a Common Prepayment Event or any event which could lead to a Common Prepayment Event has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. None of the Trustee or the Agents shall be required to take any steps to ascertain whether the condition for the exercise of the rights of Noteholders in accordance with this Condition 6(f) has occurred. None of the Trustee or the Agents shall be responsible for determining or verifying whether a Note is to be accepted for redemption under this Condition 6(f) and will not be responsible to Noteholders for any loss or liability arising from any failure by it to do so. None of the Trustee or the Agents shall be under any duty to determine, calculate or verify any of the amounts payable under this Condition 6(f) and will not be responsible to Noteholders for any loss arising from any failure by it to do so.

(iii) Each Noteholder may notify the Issuer of such Noteholder's acceptance or rejection of such offer by giving written notice of such acceptance or rejection to the Issuer on or before the Response Date by completing the form entitled "Option of Holder to Accept or Reject Offer to Redeem" (obtainable from any Paying Agent or Transfer Agent), and if such Noteholder elects to accept such offer, such Noteholder will be required to deposit (in the case of Bearer Notes) the Notes (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificates representing such Note(s), in each case to any Paying Agent or Transfer Agent at the address specified in the notice during the hours of 9:00 a.m. and 3:00 p.m. (London time), Monday to Friday, excluding public holidays, on or before the Response Date. The failure by a Noteholder to respond to such offer in writing on or before the Response Date will be deemed to be a rejection of such offer.

(iv) If a Noteholder accepts such offer, the Issuer will, on the Redemption Date, pay to the Noteholder the Ratable Amount of each Note held by that Noteholder together with interest accrued thereon to but excluding the date of redemption. The principal amount of each such Note will be taken to be reduced by the Ratable Amount.

(v) If a Noteholder rejects or is deemed to have rejected any offer, the Obligors may utilise or apply the unapplied Available Proportion at their discretion.

In this Condition, the following terms have the following meanings:

"**Common Prepayment Event**" means, and shall be deemed to have occurred, at any time that any Obligor or agent acting on behalf of any Obligor shall be in receipt of Common Prepayment Proceeds;

"**Common Prepayment Proceeds**" means the financial component of compensation paid by a Governmental Agency as a result of all or substantially all of the assets of the Relevant Entities, taken as a whole, being resumed or compulsorily acquired by a Governmental Agency (or an order is made in relation to such action), in each case, which are required, pursuant to a Primary Lending Agreement, to be applied towards redemption or prepayment of any Senior Financial Indebtedness;

"**ICD Senior Finance Documents**" means the ICD Finance Documents, other than the ICD Finance Documents of any Junior Beneficiary (as defined in the Intercreditor Deed);

"**Primary Lending Agreement**" means, at any time, the agreement, deed or instrument which governs Senior Financial Indebtedness incurred by an Obligor in the form of loans ("**lending agreement**"), as amended, restated, supplemented or otherwise modified from time to time and which is the largest lending agreement at that time. The largest lending agreement will be determined by reference to the total commitments (however defined) which are subject to the lending agreement; and

"**Senior Financial Indebtedness**" means at any time, all outstanding Financial Indebtedness incurred by the Obligors under the ICD Senior Finance Documents.

(g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the applicable pricing supplement.

(h) **Purchases:** Each of the Issuer, the Guarantors and their Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(i) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantors or any of their Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantors in respect of any such Notes shall be discharged.

7 Payments and Talons

(i) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

(ii) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by transfer to an account in the relevant currency maintained by the payee with a Bank.

(iii) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(iv) **Payments subject to Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any FATCA Withholding. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(v) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantors and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantors and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantors reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note or Global Certificate(s) (as the case may be) are exchanged for definitive Notes, for so long as the Notes are listed on SGX-ST and the rules of the SGX-ST so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer and the Guarantors shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall, following receipt of the requisite information, as soon as practicable be given by the Issuer to the Noteholders.

(vi) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(vii) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(viii) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" in the applicable pricing supplement and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantors in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within

Australia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, a Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of having some connection with the Commonwealth of Australia other than the mere holding of the Note, Receipt or Coupon;

(b) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such Taxes by complying or procuring that any third party complies with any statutory or treaty requirements or elections or by making or procuring that any third party makes a declaration of non-residence or similar case or action for exemption to any tax authority;

(c) to, or to a third party on behalf of, a holder who is an Offshore Associate of the Issuer and not acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act of Australia;

(d) to, or to a third party on behalf of, an Australian resident holder or a non-resident holder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if that holder has not supplied an appropriate tax file number, (if applicable) an Australian business number or other exemption details;

(e) to, or to a third party on behalf of, a holder where the withholding or deduction is required by reason of the Australian Commissioner of Taxation giving a notice under section 255 of the Australian Tax Act or section 260-5 of Schedule 1 to the Taxation Administration Act 1953 of Australia or any similar law;

(f) presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day;

(g) to, or to a third party on behalf of, a holder in respect of a Tax payable otherwise than by deduction or withholding from payments of principal or interest on a Note;

(h) to a holder that is not the beneficial owner of such Note, Receipt or Coupon to the extent that the beneficial owner thereof would not have been entitled to the payment of such additional amounts had such beneficial owner been the holder;

(i) in respect of any estate, inheritance, gift, sales, transfer, personal property, or any similar tax, assessment or governmental charge; or

(j) in such other circumstances as may be specified in the Pricing Supplement.

Notwithstanding any other provision of these Conditions, if any Note, Receipt or Coupon is presented for payment or held by, or by a third party on behalf of, a person who is a resident of Australia or a non-resident who is engaged in carrying on business in Australia at or through a permanent establishment of that non-resident in Australia (the expressions "resident of Australia", "non-resident" and "permanent establishment" having the meanings

given to them by the Australian Tax Act) and if, and to the extent that, section 126 of the Australian Tax Act (or any equivalent provision) requires the Issuer, the Guarantors or any other person to pay income tax in respect of interest payable on the Note, Receipt or Coupon and the income tax would not be payable were the person not a "resident of Australia" or "non-resident" so engaged in carrying on business, the Issuer (or such other person) shall be entitled to make any withholding or deduction pursuant to section 126 of the Australian Tax Act and will have no obligation to pay any additional amounts or otherwise indemnify any person for any such withholding or deduction.

Notwithstanding any other provision of these Conditions, none of the Issuer, the Guarantors or any other person will be required to pay any additional amounts in respect of any FATCA Withholding.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9 Prescription

Claims against the Issuer and/or the Guarantors for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

Subject to the Security Trust Deed and the Intercreditor Deed, if any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer ("**Acceleration Notice**") that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

(a) **Non-Payment:** default is made for more than 30 days (in the case of interest) or three Business Days (in the case of principal or premium) in the payment on the due date of interest or principal in respect of any of the Notes; or

(b) **Breach of Other Obligations:** the Issuer or any Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is continuing for a period of 30 days after notice of such default shall have been given to the Issuer or such Guarantor by the Trustee; or

(c) **Cross-Default:** (i) a default in the payment of the principal, interest, premium or make-whole amount of any Senior Financial Indebtedness of any Obligor that is outstanding in an aggregate principal amount of at least A$75 million (or its equivalent in the relevant currency of payment) after the expiration of any originally applicable grace period or (ii) a default (other than as set forth in clause (i) above) under any Senior Financial Indebtedness of any Obligor under one or more instruments evidencing an aggregate principal amount of at least A$75 million (or its equivalent in the relevant currency of payment) or of any mortgage, indenture or other agreement relating thereto, and as a consequence of such default shall have resulted in such Senior Financial Indebtedness becoming or being validly declared due and payable prior to the date on which it would otherwise have become due and payable (except (A) where, in the absence of an Event of Default (as defined in the applicable finance document) such Obligor exercises an optional right of prepayment or termination and early repayment of Senior Financial Indebtedness in accordance with the terms of such finance document; or (B) on the occurrence of a Common Prepayment Event); or

(d) **Major Authorisation:** in respect of a Major Authorisation which is required for the Obligors to perform the Core Business: (i) such Major Authorisation is repealed, revoked or terminated or expires, (ii) all rights of review and appeal that the Group Members may have in respect of such occurrence have been exhausted or have expired and (iii) such Major Authorisation is not reinstated or replaced by another Authorisation within 15 Business Days that permits the Obligors to continue to perform the Core Business; or

(e) **Network Lease:** (i) the Lessor terminates the Network Lease or (ii) the Network Lease becomes void, voidable, unenforceable or of limited force and effect against the Lessor; or

(f) **Illegality:** a Finance Document is or becomes or is claimed by a party other than the Trustee or the Security Trustee to be wholly or partly invalid, void, voidable, illegal, unenforceable or of limited force and effect in any material respect as against a Relevant Entity and (a) in the case of the Security, this has or is reasonably likely to have a material adverse impact (from the perspective of the Trustee) on the binding nature, priority or effectiveness of the Security and (b) in any case, the relevant Finance Document (or relevant provision) is not replaced by a valid and enforceable replacement document (or provision) on substantially the same terms within 10 Business Days of the earlier of (A) the Trustee giving notice to the Issuer and (B) the Issuer becoming aware of the relevant provision being or becoming wholly or partly invalid, void, voidable, illegal or unenforceable in any material respect as against a Relevant Entity; or

(g) **Compulsory Acquisition:** all or substantially all of the assets of the Relevant Entities, taken as a whole, are resumed or compulsorily acquired by a Governmental Agency (or an order is made in relation to such action) other than where reasonable compensation has been paid or offered by the relevant Governmental Agency; or

(h) **Suspension of Core Business:** the Obligors (taken as a whole) suspend, cease to carry on or dispose of all or substantially all of the Core Business; or

(i) **Unlawful:** it is or becomes unlawful for a Relevant Entity to perform any of its material obligations under the Finance Documents; or

(j) **Insolvency Event:** an Insolvency Event occurs with respect to any Relevant Entity; or

(k) **Relevant Entity:** (i) a Relevant Entity ceases to be the trustee of the Relevant Trust or a resolution is passed to remove that Relevant Entity as trustee of the Relevant Trust or to appoint another Person as trustee of the Relevant Trust, unless the trustee is replaced with another Relevant Entity within 20 Business Days, (ii) a resolution is passed or an order is made for the winding up of a Relevant Trust or a Relevant Trust terminates by the passage of time or otherwise, (iii) an application or order is sought or made in any court for property of a Relevant Trust to be brought into court or administered by the court or under its control which is not dismissed within 20 Business Days, (iv) the beneficiaries of the Relevant Trust resolve to wind up the Relevant Trust or the trustee of the Relevant Trust is required to wind up the Relevant Trust under the Relevant Trust Deed governing the Relevant Trust or applicable law, or the winding up of the Relevant Trust commences, (v) a Relevant Trust is held or is conceded by the trustee of the Relevant Trust not to have been constituted or to have been imperfectly constituted and it is not remedied or the trustee is not replaced with another Relevant Entity within 20 Business Days, (vi) the trustee of a Relevant Trust ceases to be authorised under the Relevant Trust Deed governing the Relevant Trust to hold the property of the Relevant Trust in its name and to perform its obligations under the Finance Documents to which it is a party and it is not remedied or the trustee is not replaced with another Relevant Entity within 20 Business Days or (vii) the trustee of a Relevant Trust ceases to be entitled to be indemnified out of the assets of the Relevant Trust in respect of its obligations under the Finance Documents to which it is a party or to have a Lien over them; or

(l) **Relevant Partnership:** (i) A Relevant Partnership is held or conceded not to have been constituted, (ii) a resolution is passed or an order is made for the winding up or dissolution of a Relevant Partnership or a Relevant Partnership is wound up or dissolved, or (iii) the Relevant Partnership ceases to hold the Relevant Partnership Property; or

(m) **Security Enforced:** Any Lien under an ICD Security is enforced.

11 Enforcement and the Intercreditor Deed

Subject to the Security Trust Deed and the Intercreditor Deed, following an Event of Default which occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction):

(i) give a "Default Notice" under and as defined in clause 10.4 ("Notice of Event of Default and appointment of administrator") of the Intercreditor Deed to the Intercreditor Agent;

(ii) give an Acceleration Notice to the Issuer in accordance with Condition 10;

(iii) give written notice to the Intercreditor Agent of the delivery of the Acceleration Notice in accordance with clause 10.6 ("Decisions in respect of Enforcement Action") of the Intercreditor Deed;

(iv) give an instruction to the Intercreditor Agent under clause 10.4(b) ("Notice of Event of Default and appointment of administrator") of the Intercreditor Deed, if applicable; and/or

(v) give an instruction to take "Enforcement Action" as defined in the Intercreditor Deed under the Security to the Intercreditor Agent under clause 10.6 ("Decisions in relation to Enforcement Action") of the Intercreditor Deed.

Remedies available to Holders upon the occurrence of an Event of Default are limited in certain respects by the Intercreditor Deed. The Intercreditor Deed contains a detailed regime which restricts the taking of enforcement action and acceleration action by secured Beneficiaries. This regime prescribes certain standstill periods on the taking of acceleration action by an instructing group of secured Beneficiaries, as well as standstill periods on the ability of that instructing group to instruct the taking of enforcement action under the Security Documents by the Security Trustee. See "Description of the security and intercreditor arrangements – How the Intercreditor Agent acts – Acceleration and enforcement action".

12 Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the applicable pricing supplement, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

In addition, paragraph 2 of Schedule 3 to the Trust Deed provides that the Holders may sanction (A) by Ordinary Resolution (as defined in the Trust Deed) certain modifications or other decisions in respect of the Security Documents; and (B) by Extraordinary Resolution (as defined in the Trust Deed) any modifications or other decisions in respect of the Security Documents where clause 4.2 ("Decisions requiring instruction from all Beneficiary Groups, the Majority Hedge Counterparties or each Hedge Counterparty and other Creditors") of the Intercreditor Deed applies.

The Trust Deed provides that (A) a resolution in writing signed by or on behalf of the holders of not less than 50 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Ordinary Resolution passed at a meeting of Noteholders duly convened and held; and (B) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of the Trust Deed:** The Trustee may (but shall not be obliged to) agree without the consent of the Noteholders or Couponholders (i) to any modification of any of the provisions of the Trust Deed, the Conditions, the Agency Agreement, or any other Programme Document or Security Document which is, of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification to the Trust Deed, the Agency Agreement, or any other Programme Document or Security Document, any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, or the Agency Agreement, any other Programme Document or Security Document that is in its opinion not materially prejudicial to the interests of the Noteholders, but such power does not extend to any such modification as is mentioned in the proviso to paragraph 2 of Schedule 3 of the Trust Deed. Any such modification may be made on such terms and subject to such condition (if any) as the Trustee may determine, shall be binding on all Noteholders, Couponholders and Receiptholders and unless the Trustee shall otherwise agree, shall be notified by the Issuer to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

(c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business or of a Guarantor or its successor in business or any Subsidiary of a Guarantor or its successor in business in place of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantors any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification, on an after tax basis, of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, a Guarantor and any entity related to the Issuer or a Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, lawyers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, any Guarantor and/or any other person appointed by the Issuer or any Guarantor in relation to the Notes or Coupons of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. The Trustee shall not be under any obligation to monitor compliance with the provisions of any documents in relation to the Notes.

Whenever the Trustee is required or entitled by the terms of any documents in relation to the Notes to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Noteholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions of the Noteholders or in the event that no such directions are received. None of the Trustee or any Agent shall be liable to any Noteholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by holders of the requisite nominal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantors, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

14 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

16 Notices

Notices required to be given to the holders of Registered Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to the Conditions shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*).

So long as the Notes are listed and/or admitted to trading, notices required to be given to the holders of the Notes pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed/and or admitted to trading.

If in the opinion of the Trustee any such publication is not practicable, notice required to be given pursuant to the Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of Euroclear or Clearstream, or any other clearing system, notices to the holders of the Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer and the Guarantors have in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) **Service of Process:** Each of the Issuer and the Guarantors have in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Global Certificates

If the Pricing Supplement state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made:

(i) in whole but not in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) in whole or in part, with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if so provided in, and in accordance with, the Conditions relating to Partly Paid Notes.

3.5 Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will:

(i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange; or

(ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes.

In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon).

Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes, as the case may be, is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantors or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream or any other clearing system (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation.

4.8 Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

4.9 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of (A) in the case of an Ordinary Resolution, the holders of not less than 50 per cent. in principal amount of the Notes outstanding, or (B) in the case of an Extraordinary Resolution, the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution or an Ordinary Resolution, as the case may be, passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons, Talons and Receipts whether or not they participated in such Written Resolution and/or Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be:

    (i) by accountholders in the clearing system with entitlements to such Global Note or Global Certificate; and/or

    (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held.

For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant

clearing system for the purposes of (b) above and shall not be responsible for verifying the beneficial ownership of any Notes or the accuracy of any information contained in any such certificate or document. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor any Guarantor nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

6 SGX-ST

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note(s) representing such Notes is exchanged for definitive Notes. In addition, in the event that the Global Note(s) is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the relevant Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

DESCRIPTION OF THE ISSUER

The Issuer

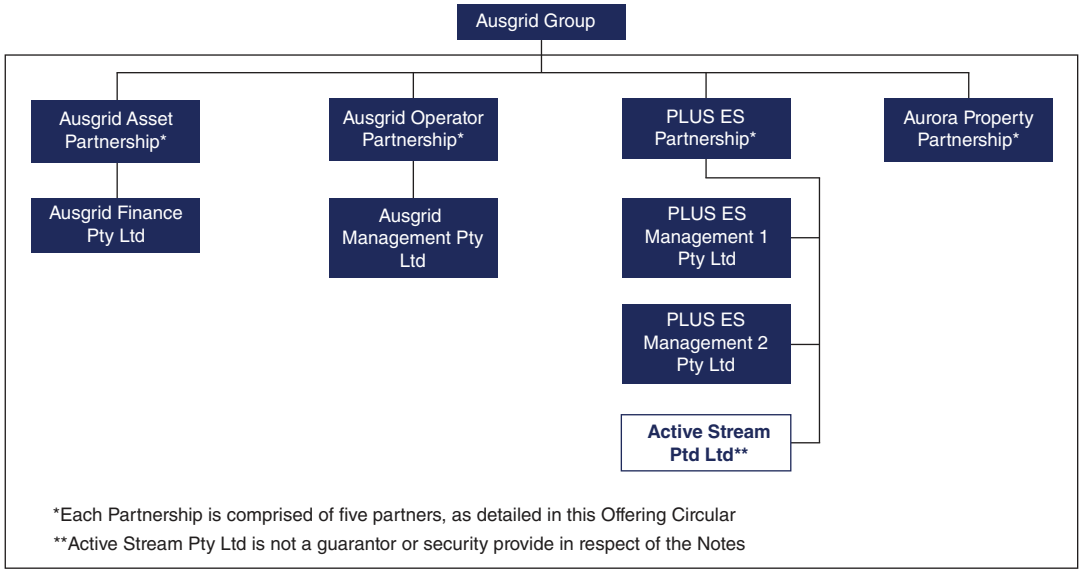
The Issuer of the Notes is Ausgrid Finance Pty Limited, a company organised under the laws of Australia with Australian Company Number 615 343 005.

The Issuer is the financing entity within the "Ausgrid Group", which also includes:

- Ausgrid Operator Partnership ("**AOP**" or "**NOP**"), which is the controller, operator and manager of the largest electricity distribution network in the NEM by RAB, end customer numbers, electricity delivered, and maximum demand, as at 30 June 2023. AOP is a licensed Distribution Network Service Provider (or "**DNSP**") operating in New South Wales ("**NSW**") and provides electricity services to residential, government, commercial and industrial customers;
- Ausgrid Asset Partnership ("**AAP**" or "**NAP**"), which is the lessee of the Ausgrid network assets under a 99-year lease with Alpha Distribution Ministerial Holding Corporation ("**ADMHC**"), a statutory corporation of the State of NSW;
- PLUS ES Partnership, which provides contestable metering and infrastructure services;
- Aurora Property Partnership, which holds properties that are no longer required for Ausgrid's network business;
- each of Ausgrid Management Pty Ltd, PLUS ES Management 1 Pty Ltd and PLUS ES Management 2 Pty Ltd, which are management entities within the Ausgrid Group; and
- Active Stream Pty Ltd, a legacy entity from the acquisition of AGL's contestable metering business by PLUS ES Partnership in 2017.

In this Offering Circular, the entities above are referred to as the "Ausgrid Group". A simplified structure diagram for the Ausgrid Group is set out below.

Simplified Group Structure Chart



Registered office

The Issuer's registered office is at 24-28 Campbell Street, Haymarket, Sydney, New South Wales 2000, Australia.

BUSINESS

Overview

We are an energy infrastructure business that controls, operates, and manages the largest electricity distribution network in the NEM by RAB, end customer numbers, electricity delivered, and maximum demand, as at 30 June 2023. We are a licensed DNSP operating in NSW, the most populous state in Australia, which accounted for approximately 30.6% of Australia's GDP in FY2023. We had total assets of A$22,668 million (U.S.$15,029 million)[2] as at 30 June 2023.

Our core business is controlling, operating, managing, maintaining, building, extending, and upgrading the NSW electricity distribution network in our network area, which constitutes an essential component of NSW's energy infrastructure. We deliver electricity from NSW's main transmission network, operated by Transgrid, and certain directly connected generators, to residential, government, commercial and industrial customers in our network area. We are often referred to as "the poles and wires".

Our network area includes some of the most densely populated areas in Australia, in particular, the inner metropolitan area of Sydney. In FY2023, our network supplied 24,298 GWh of electricity to approximately 1.8 million end customers, representing almost half of the electricity customer connections in NSW, across an area spanning 22,275 square kilometres including eastern Sydney, the Central Coast and the Hunter Valley. The map below illustrates our network area.

Our network area

Our network also has transmission elements which operate in parallel to and support the NSW main transmission network operated by Transgrid. We operate high capacity network assets in the densely populated inner metropolitan area of Sydney, which are directly connected to Transgrid's network to provide adequate security of supply to this critical load.

[2] Australian dollars have been translated into U.S. dollars for the purposes of this document at the exchange rate of U.S.$0.6630 per A$1.00 for FY2023. Excludes capital contribution revenue.

Our history and our ownership

History

Historically, the NSW electricity sector was owned and operated by a combination of state and local governments. For over 100 years, the business we operate today (which derives its origins from the electricity supply business started and administered by the Sydney Municipal Council in the inner metropolitan area of Sydney in 1904) has been the primary electricity distribution service provider in NSW within the boundaries of our network area, which has undergone changes over time.

In 2015, the State of NSW launched a partial privatisation of its electricity network assets in three packages, as follows:

- first, it privatised the Transgrid transmission network by way of a 99-year lease;
- second, it privatised our network by way of a 99-year lease; and
- third, it privatised the Endeavour Energy distribution network by way of a 99-year lease.

Our privatisation

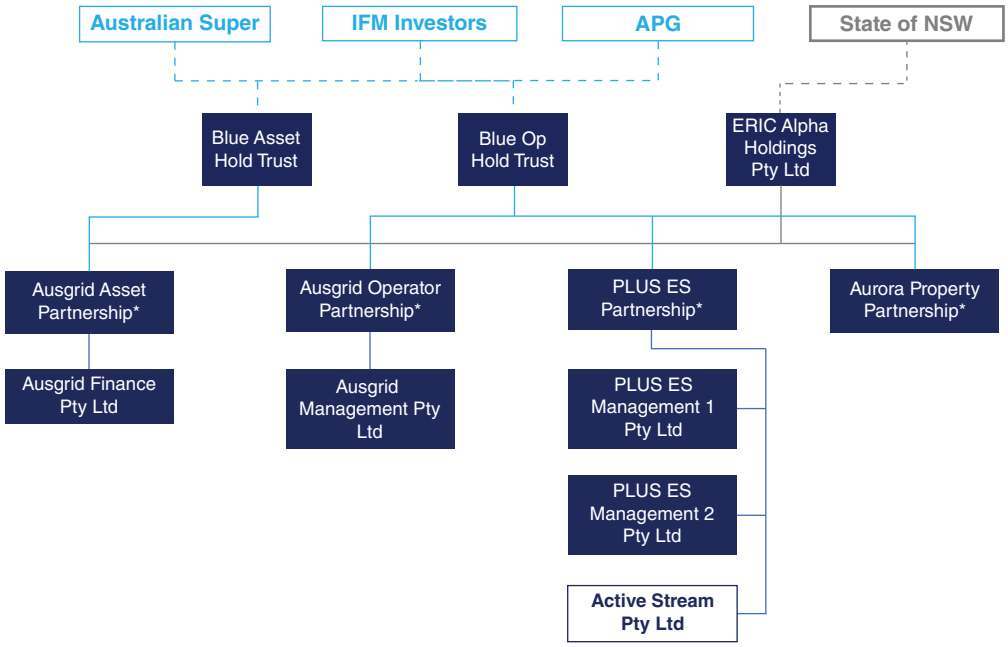
On 23 September 2016, a consortium of AustralianSuper and IFM Investors submitted an unsolicited bid of A$16.2 billion to acquire a 50.4% interest in a 99-year lease over the network assets and the acquisition of the operating business and ancillary assets. The bid was accepted and, on 1 December 2016, the transaction was completed.

AustralianSuper subsequently sold a 16.8% interest in Ausgrid to APG Asset Management Group. The partial sale was completed on 27 June 2022.

As at the date of this Offering Circular, AustralianSuper hold a 8.4% interest in Ausgrid, IFM Investors hold a 25.2% interest in Ausgrid and APG Asset Management Group hold a 16.8% interest in Ausgrid (being a combined 50.4% interest in Ausgrid). The State of NSW holds a 49.6% interest in Ausgrid.

The chart below illustrates our ownership structure as at the date of this Offering Circular.

Ownership structure



*Note this is a simplified structure diagram which does not show all intermediate entities or partners.

As described above, our shareholders are the State of NSW, AustralianSuper, IFM Investors and APG Asset Management Group. As at 30 June 2023:

- AustralianSuper is Australia's largest super fund. It is one of Australia's largest infrastructure investors, with a large portfolio of Australian infrastructure assets. This includes direct investments in Ausgrid, WestConnex, Australia Tower Network and Axicom, Sydney Airport and Moorebank Logistics Park.

- IFM Investors is a leading global institutional investment manager which manages A$215 billion of investments on behalf of 665 institutional investors globally. IFM Investors manages a significant amount of infrastructure investments on behalf of an array of institutional investors. This includes investments in Ausgrid, Atlas Arteria Group, Sydney Airport, Melbourne Airport, Brisbane Airport and NSW Ports.

- APG Asset Management Group, as one of the largest asset management groups in the world, manages a significant amount of assets for their funds. APG Asset Management Group has a strong presence in Australia including investments in the infrastructure and real estate space including EastLink, Lendlease International Towers Sydney Trust and the Lendlease Retirement Living business. It is committed to long term sustainable investments.

Our strengths

Stable cash flows and limited volume exposure

Stable cash flows

As further described below, we operate as a natural monopoly within our service area and have the right to operate and maintain the electricity distribution and transmission network assets in our network area under a 99-year lease which commenced in 2016.

We generate cash flows within a regulated environment. In this regard, our revenue from SCS (excluding capital contributions) was A$1,918 million (U.S.$1,272 million)[3], 81% of total revenue, for FY2023.

Limited volume exposure

Our SCS revenue has limited volume exposure because any actual revenue above or below our revenue cap is accounted for in the annual price setting period for tariffs. Any annual fluctuation in revenue collected due to differences in actual volumes relative to forecast volumes can be recovered through higher tariffs (where volumes are lower) or repaid through lower tariffs (where volumes are higher) for the next regulatory year. This provides us with protection against fluctuations in energy consumption and as a result, there is a high degree of revenue certainty within each five-year regulatory control period.

No income tax expense

Since our privatisation, our cash flows are not impacted by income tax expense. This is because the corporate entities within the Ausgrid Group have no taxable income and the partnerships within the Ausgrid Group are not subject to tax under Australian law. Each partner reports its share of income from the partnerships in its own tax return.

[3] Australian dollars have been translated into U.S. dollars for the purposes of this document at the exchange rate of U.S.$0.6630 per A$1.00 for FY2023.

Well-defined regulated revenue regime

Our regulated revenues are set under a well-defined regime, which has a strong correlation with macroeconomic conditions (in particular, inflation and market interest rates). The annual tariff-setting process for our SCS business results in the forecast allowed revenue being adjusted annually for changes in macroeconomic conditions, including the actual consumer price index (on a lagged basis) and an updated WACC that incorporates market movements in interest rates over the previous calendar year in line with the trailing average methodology of the AER, which impacts the return on debt within the WACC.

Low counterparty credit risk

Our cash flow generation is supported by the obligations on the electricity retailers to pay us network charges on behalf of end customers. Under the regulatory regime, the retailer bears the credit risk from the end customer under the NER, and in the event that any retailer is unable to meet its payment obligations, we have the right to call on existing credit support (if available) or the right to request credit support with respect to that delinquent retailer once a missed payment is 15 days past its due date. Further, in the event that the retailer becomes insolvent, we can seek approval from the AER to pass-through any unpaid network charges to end customers and recover them through higher tariffs. These regulatory mechanisms minimise the impact of any counterparty credit risk.

For FY2023, an estimated 46.7% of our Network Use of System ("**NUoS**") revenue was generated from residential users. In addition, our top three end customers for FY2023 (representing less than 2% of our NUoS revenue in aggregate) operate long-standing transport, mining and infrastructure assets, being Sydney Trains, Glencore Coal Assets Australia and Yancoal.

Operations within the largest and most populous state economy in Australia

Australia has been one of the world's strongest performing economies for several decades, having experienced 28 years of continuous economic growth prior to the outbreak of COVID-19. Australia's economy grew at an annual rate of 2.7% per annum over the last 20 years as at 31 March 2023, according to the Australian Bureau of Statistics. We operate in NSW, which has a diversified economy that represented 31% of Australia's GDP in FY2022 and had a population of 8.15 million as at 30 June 2022, making it the largest economy and most populous state in Australia, with more than 65% of NSW's population residing in the greater Sydney region.

Nationally significant infrastructure – the largest distribution network in the NEM with a unique asset profile

Our network is an integral part of the infrastructure for NSW, and the NSW and Australian economies. A reliable supply of electricity is critical for Australia's national security. The unique nature of our asset portfolio, together with strong economies of scale, makes our network difficult to replicate, meaning we hold a monopoly position within our service area.

We operate the largest distribution network in the NEM by RAB, end customer numbers, electricity delivered and maximum demand based on the most recent regulatory reporting to 30 June 2022 for NSW, ACT, Queensland, South Australian, Tasmanian, and Victorian distributors. The table below demonstrates our relative size in the NEM compared to other DNSPs based on data from AER Economic Benchmarking Regulatory Information Notices ("**RINs**").

	Customers[1]		Electricity delivered[1]		RAB[2]	
	Millions	%	GWh	%	A$ billion	%
NSW[3]/ACT	**4.0**	**37.5**	**56,295**	**39.8**	**33.4**	**41.0**
Ausgrid	**1.8**	**16.6**	**24,235**	**17.1**	**16.3**	**20.0**
Endeavour Energy	1.1	10.1	16,711	11.8	7.1	8.7
Essential Energy	0.9	8.8	12,451	8.8	9.0	11.0
ActewAGL	0.2	2.0	2,898	2.1	1.0	1.2
Victoria	**3.1**	**29.2**	**35,649**	**25.2**	**15.4**	**18.9**
Powercor	0.9	8.4	10,963	7.8	4.7	5.8
AusNet Services	0.8	7.4	7,588	5.4	4.7	5.8
United Energy	0.7	6.6	7,591	5.4	2.4	3.0
CitiPower	0.3	3.2	5,251	3.7	2.0	2.4
Jemena	0.4	3.5	4,256	3.0	1.6	1.9
South Australia	**0.9**	**8.7**	**9,716**	**6.9**	**4.5**	**5.5**
SA Power Networks	0.9	8.7	9,716	6.9	4.5	5.5
Queensland	**2.3**	**21.9**	**35,075**	**24.8**	**26.2**	**32.2**
Energex	1.6	14.6	21,295	15.1	13.4	16.5
Ergon Energy	0.8	7.2	13,780	9.8	12.8	15.7
Tasmania	**0.3**	**2.8**	**4,581**	**3.2**	**2.0**	**2.4**
TasNetworks	0.3	2.8	4,581	3.2	2.0	2.4
NEM total	**10.7**	**100.0**	**141,316**	**100.0**	**81.5**	**100.0**

Source: AER Economic Benchmarking RINs.

Notes:

(1) Customers and electricity delivered for the fiscal year ended June 2022.

(2) RAB as at June 2022.

(3) For NSW: 3.8 million customers (35.5%), 53,397 GWh (37.8%) of electricity delivered, and A$32.4 billion (39.7%) of RAB.

Established regime which provides regulatory certainty over a five-year period

The regulatory regime that governs the electricity industry in Australia is established and well-defined, and has been in place since 2005. This framework is overseen by the Energy and Climate Change Ministerial Council ("**ECMC**"), which comprises federal, state and territory energy ministers. It has established methodologies relating to the setting of economic objectives and service obligations, and is well understood by industry participants. The total amount of our regulated revenue and the price end customers pay is set, and subject to review, by the independent national regulator, the AER. The revenue or price determination process is transparent and is governed by the NEL and the NER and is informed by the AER's guidelines that detail how certain parameters, such as regulatory WACC and projected operating and capital expenditures, should be assessed.

Our shareholders

Ausgrid is currently 49.6% owned by the State of NSW, 25.2% owned by IFM Investors, 16.8% owned by APG Asset Management Group and 8.4% owned by AustralianSuper.

Our business benefits from our strong ownership base. Key characteristics of AustralianSuper, and IFM Investors include:

- Australian-domiciled and experienced, long-term investors, including many direct infrastructure investments;

- history of infrastructure investment and asset stewardship in NSW, Australia and across the world, with investments in regulated utilities (e.g. FCC Acqualia, Anglian Water Group) and the broader infrastructure sector (e.g. NSW Ports, Port of Brisbane, Brisbane Airport, Melbourne Airport, WestConnex and Transurban Queensland); and

- significant experience in transitioning assets from government ownership to private sector management, including NSW Ports, Port of Brisbane, Brisbane Airport, WestConnex and Transurban Queensland.

Key characteristics of APG Asset Management Group include:

- APG Asset Management Group is one of the world's largest pension fund asset managers with a global focus;

- APG Asset Management Group is an active long term infrastructure investor with a substantial part of its portfolio in the energy and regulated utility sector (e.g. Celeo Redes, ESP Utilities Group); and

- it has a strong presence in Australia with investments in the infrastructure and real estate space, including EastLink, the Scape Australia Student Accommodation development platform, Lendlease International Towers Sydney Trust and the Lendlease Retirement Living business.

Under the current ownership arrangements, AustralianSuper, IFM Investors and APG Asset Management Group have regular oversight of the performance of our business through various governance bodies, as detailed in "Our governance" below. The State of NSW also holds its investment through an independently-governed entity with representation on various governance bodies. However, the partnership arrangement provides AustralianSuper, IFM Investors and APG Asset Management Group with primary control of our business, including the appointment of management and the setting of budgets. The State of NSW has specific voting rights with respect to certain limited material matters attaching to its interest.

Experienced and capable leadership team

We have an experienced executive leadership team that is focused on developing and implementing our core strategies. Our Chief Executive Officer, Mr. Marc England, joined Ausgrid in January 2023.

Mr. England was the CEO of New Zealand's publicly listed Genesis Energy, a position which he held for six years. Mr. England brings a broad and deep energy experience to the role at Ausgrid from his experience at Genesis Energy and prior roles at both AGL and British Gas. He has extensive leadership capability as well as a commitment to people, centred by a strong company purpose, which has been a hallmark of the way he interacts with staff, customers, and other stakeholders. Mr. England is also known for his strategic vision and commitment to making a transition to a more sustainable energy future.

Our Chief Financial Officer, Mr. Michael Bradburn, has more than 20 years of experience in financial, commercial, planning and audit roles across a range of industry sectors, including the energy, transport and logistics sectors. Mr. Bradburn, who had joined Ausgrid since privatisation in 2016, has recently given notice of his resignation. A search is currently underway to find Mr. Bradburn's successor.

Robust investment grade capital structure and strong financial policies

We are committed to maintaining our investment grade credit ratings. In this regard, we have a Treasury Policy approved by the boards of our partnerships which details how various financial risks will be managed to achieve an effective, prudent and sustainable capital structure and risk management framework. One of the key principles of our Treasury Policy includes maintenance of an investment grade credit rating, taking into account industry and entity specific factors. Our Treasury Policy and our Partnership Deeds require us to maintain an investment grade baseline credit assessment. Further, in relation to assessing the amount of distributions, our Partnership Deeds require our Partnership Boards to have regard to our capital structure and funding requirements on a basis consistent with the Issuer maintaining a standalone credit profile of investment grade, and any decision to pay distributions when the Issuer does not hold a standalone credit profile of investment grade require additional approvals from our Partnership Boards on top of those required for the payment of distributions at other times.

Selected key credit metrics for FY2023 include a net debt/RAB ratio of 65.1%, a net debt/EBITDA ratio of 8.4x and an EBITDA/interest ratio of 3.3x (each as at 30 June 2023).

Minimal funding requirements for large-scale capital expenditure

The regulatory framework under which we operate allows us to earn a regulated WACC return on all efficient capital expenditure. Ausgrid's regulatory capital expenditure allowance for the period FY2020 to FY2024 is A$2,600 million. The majority of this capital expenditure is replacement capital expenditure associated with asset condition and performance degradation over time.

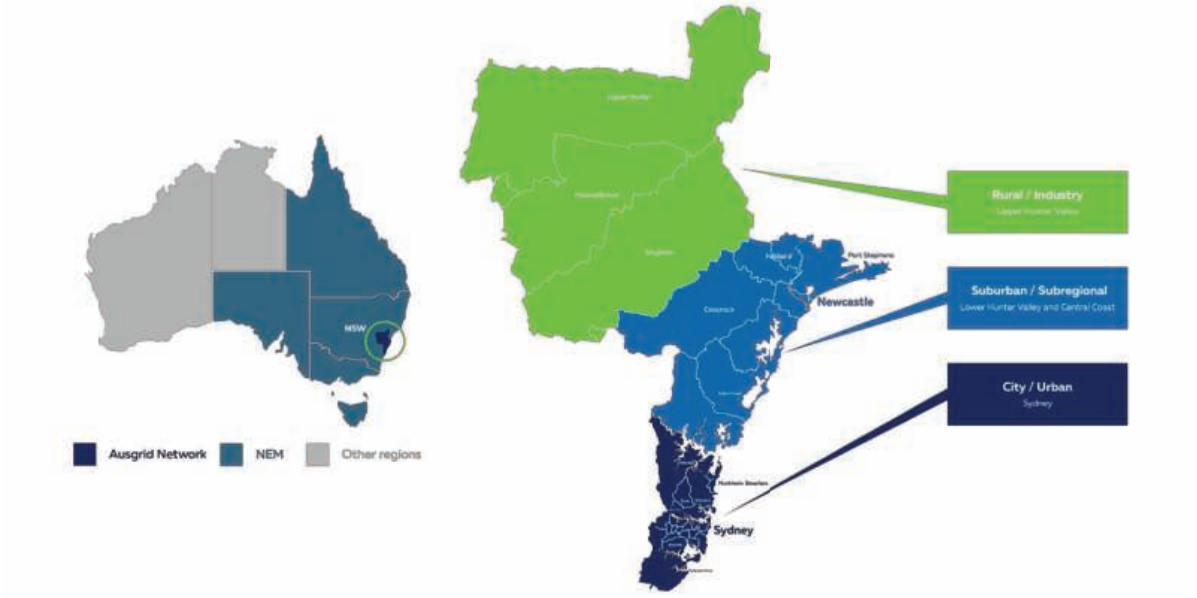
Environmental, social and governance

Environmental, social and governance ("**ESG**" or "**sustainability**") issues are key considerations important to our organisational performance. Our application of sustainability principles aligns with the achievement of our business plan and our strategic priorities. A detailed description of our approach to ESG issues is set out below under the section headed "Sustainability".

Industry

In Australia, the electricity supply chain encompasses the generation, transmission, distribution and retailing of electricity organised in four electricity systems. The largest electricity system, known as the NEM, refers to the interlinked infrastructure that connects the states of NSW, Victoria, Queensland, South Australia, and Tasmania (as well as the ACT).[4] The map below illustrates the NEM, as well as how our network area fits within the NEM:

The NEM



The NEM is one of the world's longest interconnected systems, stretching from Port Douglas in Queensland to Port Lincoln in South Australia and across the Bass Strait to Tasmania – a distance of approximately 5,000 kilometres. Around 200 generators are registered to sell electricity into the NEM, which is then transmitted over 40,000 kilometres of transmission lines and cables to large industrial energy users and local electricity distribution networks, including our network. In FY2021, A$11.5 billion of electricity was traded through the NEM to meet the demand of approximately 10.7 million homes and businesses, according to AEMO.

Electricity in the NEM is generated by a variety of methods, including coal, gas, solar, hydro and wind. In NSW, that electricity is transported through Transgrid's transmission network. Transgrid's network then supplies electricity into our sub-transmission network and our distribution network. Our network progressively reduces electricity from sub-transmission voltages using zone substations and distribution substations into distribution voltages that are appropriate to supply businesses and homes.

Industry participants

There are broadly two separate classes of private participants in the NEM:

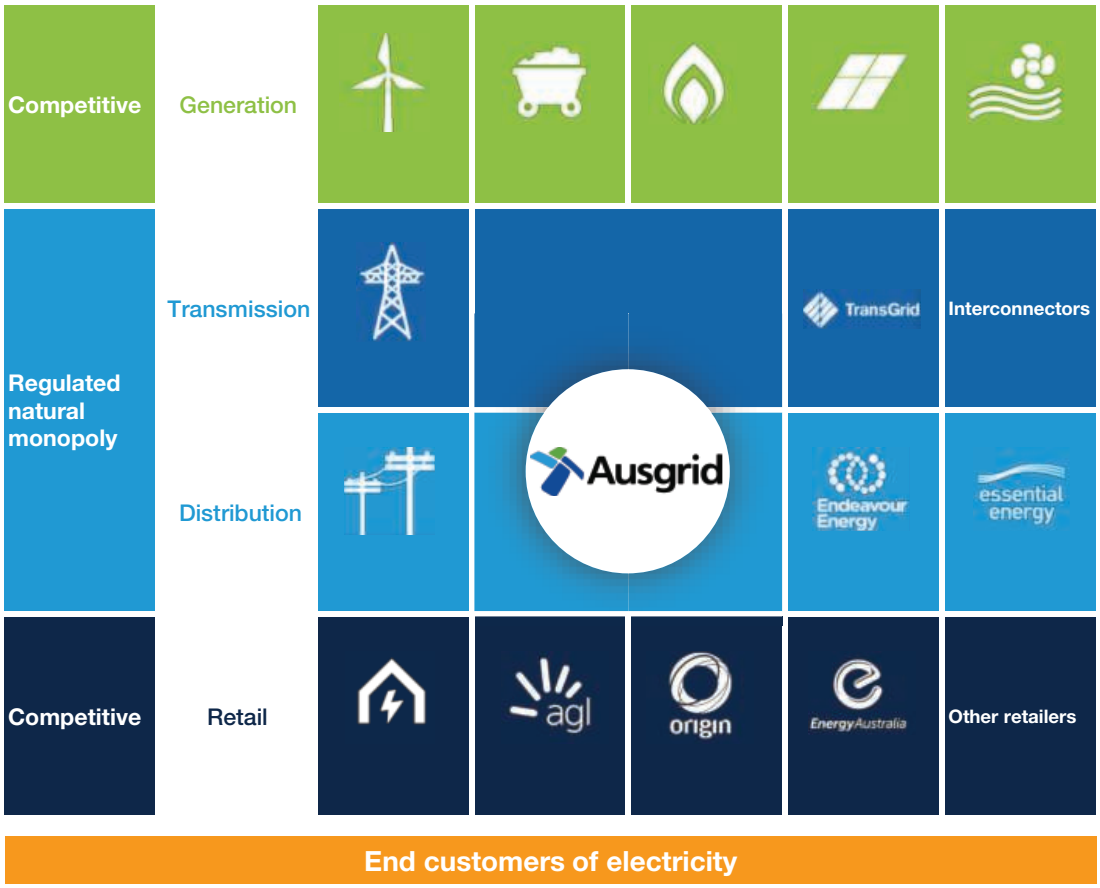
- those operating in the competitive segments of the supply chain (generation and retail); and
- those operating in the regulated segments of the supply chain (transmission and distribution). This includes the Ausgrid Operator Partnership.

[4] Western Australia and the Northern Territory are not connected to the NEM, primarily because of their geographic distance.

In the NEM, electricity distributors (such as us) are natural monopolies due to the substantial economic barriers to entry. A new electricity distributor would need to make a substantial financial investment in network infrastructure and seek to provide broad network distribution coverage. Unlike the generation and retail sectors where competition exists, Australian regulators and governments have determined that the transmission and distribution sectors would not benefit from competition and are therefore subject to economic regulation of revenue (and/or prices).

The following graphic illustrates our primary role within the electricity supply chain in NSW.

The supply chain



Economic regulation of our business segments

In view of the above, our core electricity distribution and transmission operations are economically regulated by the AER under an established regulatory framework. We have three distinct revenue streams reflecting the way these services are classified and regulated under the regulatory framework, as follows:

1 SCS;

2 ACS (SCS and ACS are collectively known as DCS); and

3 unregulated services.

These are further described as follows.

Standard Control Services

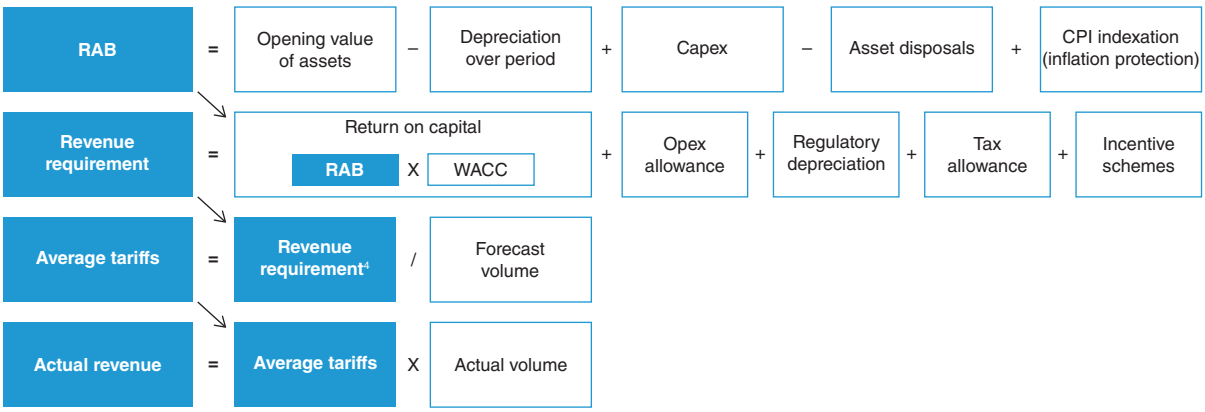
SCS comprise our core distribution and transmission network services that the AER determines are for the benefit of all end customers, the costs of which are recovered from all end customers. SCS form the vast majority of our activities and revenues, and include network services, augmentation of the network and certain metering services. Network services include focusing on the safety, efficiency and reliability of our network through the day-to-day management and delivery of maintenance programmes, managing end customer connections and overseeing the interface between such end customers and our various service providers. Augmentation of the network refers to works undertaken to extend or increase capacity due to increased demand.

SCS are subject to a revenue cap mechanism which limits the amount of revenue we can recover from providing the SCS in a given "regulatory control period". The commencement and length of the regulatory control period is specified in a distribution determination made by the AER and this period is typically five years.

Over a regulatory control period, the AER determines the annual expected revenue that we are allowed to recover from customers for our SCS based on the framework set out in the NEL and the NER. In determining the revenue that we can recover for the provision of SCS, the AER is required to assess the efficiency and prudence of the expenditure (the building blocks) required to provide the SCS. These expenditures include operating and maintenance expenditure, capital expenditure, asset depreciation costs, an estimate of corporate income tax and a commercial return on capital invested. The capital component is known as the "regulated asset base" or "RAB" and the revenue component applicable to the RAB is determined by applying a weighted average cost of capital to the RAB. The weighted average cost of capital is determined by the AER by reference to certain benchmarks, rather than to our actual costs.

The application of the building block methodology to determine allowed revenue is illustrated as follows:

The building block methodology



The revenue stream determined through the building block methodology is often lumpy over a regulatory control period as a result of a DNSP's typically lumpy capital expenditure profile. It is standard practice for the AER to smooth the expected revenue profile over the regulatory control period on an NPV-neutral basis to reduce the potential for price shocks to network users. This results in a smoother revenue profile from year to year.

Alternative Control Services

ACS are distribution services that the AER determines are either dedicated to or requested by a small number of end customers, the costs of which are recovered from those end customers. ACS include certain types of metering services, ancillary network services and public lighting. The majority of ancillary network services relate to facilitating new connections to the network and specific requests from retailers (on behalf of their customers) such as disconnections and reconnections to the network.

Control in the form of a price cap is applied to the provision of ACS and prices are set on the basis of cost reflective pricing. Whilst a building block methodology can be used to set the prices for ACS, there is no strict requirement under the NER to use this methodology, with the basis for such prices to be stated in the distribution determination made by the AER.

Unregulated distribution services

Unregulated distribution services comprise network services that the AER believes are provided on a sufficiently competitive or contestable basis such that economic regulation is not necessary. These services include facility access services (pole, duct and fibre rental) and property leasing. Unregulated distribution services are not subject to any form of price regulation.

Unregulated non-distribution services

Unregulated non-distribution services need to be ring fenced from SCS and ACS in accordance with AER guidelines. In this regard, the AOP no longer performs any unregulated services (other than for the provision of unregulated distribution services) and the unregulated business that must be kept legally separate from the regulated distribution business sits within the PLUS ES Partnership. The PLUS ES Partnership operates competitively to provide a range of emerging energy solutions including certain types of contestable metering services.

Our revenues

The following table sets out a breakdown of our revenue across SCS, ACS and unregulated services:

Revenue

(nominal A$ million)	FY2019	FY2020	FY2021	FY2022	FY2023
SCS – NUoS	2,124	1,870	1,906	1,944	1,885
ACS	154	153	160	154	167
Unregulated	142	121	132	147	171
Total revenue[(1)]	**2,420**	**2,144**	**2,198**	**2,245**	**2,223**

Note:

(1) Excludes capital contributions, transmission revenue, interest income and other.

How we make our regulated revenues (network tariffs)

We make our revenue from SCS by charging network tariffs.

Our network tariffs are the charges that we apply to electricity retailers to recover the cost of providing electricity network services to end customers. The retailers pass on these charges to end customers through bundled electricity bills. Our tariffs recover the costs of delivering electricity through our electricity network, as well as our share of the costs of using the electricity transmission network ("**TNSP pass-through**") and our annual contribution to the State of NSW Climate Change Fund ("**CCF pass-through**"). From FY2024 our tariffs will also include our share of the NSW Electricity Infrastructure Roadmap costs ("**NSW Roadmap**").[5] The following table sets out a breakdown of our SCS revenue, including our TNSP pass-through and CCF pass-through.

Recovery of network tariffs

(nominal A$ million)	FY2019	FY2020	FY2021	FY2022	FY2023
Regulated revenue (Ausgrid MAR)	1,703	1,494	1,493	1,527	1,470
TNSP pass-through revenue	322	247	282	282	270
CCF pass-through revenue	99	129	131	135	145
SCS – NUoS revenue	**2,124**	**1,870**	**1,906**	**1,944**	**1,885**

There are various types of tariffs, including flat tariffs, seasonal time of use tariffs, demand tariffs and capacity-based tariffs. We have four charging parameters: a network access charge, an energy consumption charge (which can be flat or have a time of use structure), a demand charge and a capacity charge. Each tariff includes one or more of these parameters. The network access charge is fixed, and the other charges vary based on consumption or the demand of the customer. In our FY2025-FY2029 proposal, we proposed export charges for customer energy exports. This is the first time we would charge for use of the network in this way.

As described above, we operate our SCS under a revenue cap mechanism, which means that if our revenue exceeds or is below the annual revenue requirement as determined by the AER, adjustments will be made to future tariffs we charge to reflect this excess or shortfall. We establish our network tariffs every 12 months in a pricing proposal that is approved by the AER.

Given the large number of end customers, we assign end customers with similar characteristics to a tariff class. In this regard, we have five tariff classes:

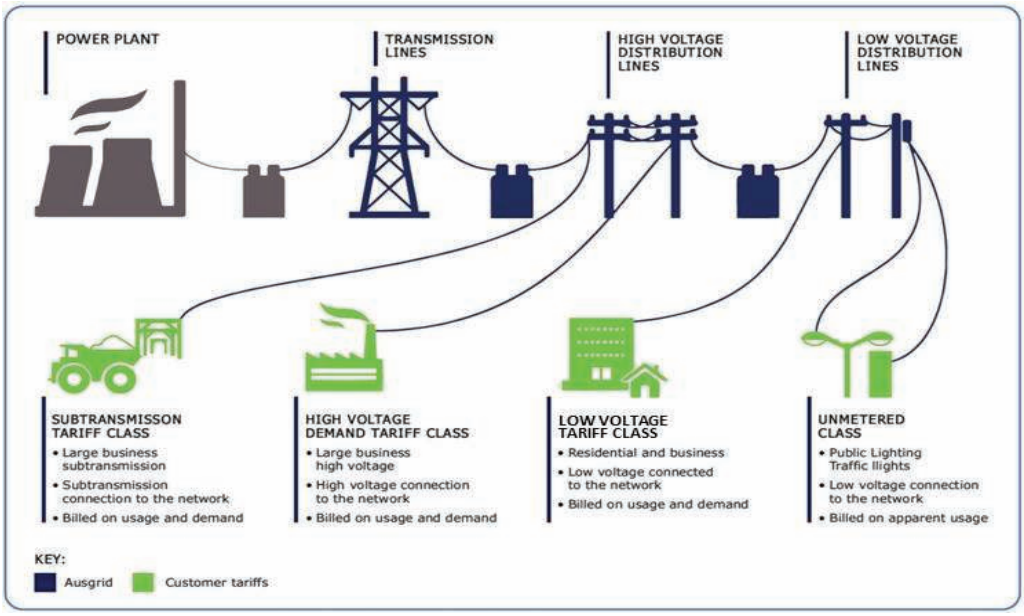
- low voltage – a connection at a separately metered low voltage (415V or 240V);
- high voltage – a connection at high voltage (11kV);
- sub-transmission – a connection at a sub-transmission voltage (132kV, 66kV or 33kV);
- transmission connected – a connection that is directly connected to a transmission connection point in our network, provided it is not connected to, or requires use of, our distribution assets; and
- unmetered – low voltage connection that is defined as an unmetered supply by us in consultation with AEMO under the NER.

[5] The NSW Government's Electricity Infrastructure Roadmap aims to deliver significantly more renewable generation capacity by 2030 through five renewable energy zones ("**REZs**"). NSW electricity distributors are required to pass through a range of costs associated with implementing the Roadmap to customer bills from 1 July 2023.

Within these classes, we then assign the end customers to a particular tariff, by reference to a number of factors, such as whether the end customer is a residential, government, commercial or industrial end customer and the level of the end customer's annual electricity consumption. Each tariff comprises unique charging parameters that are tailored by us depending on the type of end customer.

The diagram below illustrates the major consumption and tariff classes.

Types of network tariffs



Our customers

End customers

We distributed electricity through our network to approximately 1.8 million end customers, as at 30 June 2023. Our major end customer groups comprise:

- residential end customers – customers connected to the low voltage level of our distribution network that use their electricity for domestic purposes;
- small business end customers – customers connected to the low voltage level of our distribution network that consume less than 160 MWh per annum; and
- large business end customers – this group comprises:
    - customers connected to the low voltage level of our distribution network that consume more than 160 MWh per annum;
    - customers connected to the high voltage and sub-transmission voltage levels of our distribution network; and
    - customers connected to our transmission network.

The table below set out the number of our end customers, our sales (in GWh) and revenues for FY2023.

End customer statistics

End customer type	Number of customers		FY2023 consumption		NUoS revenue	
	Number	%	GWh	%	A$M	%
Residential (including Controlled Load)	1,611,693	89.6	8,607.9	35.0	881.2	46.7
Small Business	175,215	9.8	3,447.1	14.0	351.5	18.6
Medium Business	7,819	0.4	2,542.8	10.3	216.5	11.5
Large Business[(1)]	3,195	0.2	9,998.7	40.7	436.0	23.1
Total	**1,797,922**	**100.0**	**24,596.5**	**100.0**	**1,885.2**	**100.0**

Note:

(1) Includes transmission network connected customers, who consumed 504 GWh and represented A$4.8 million of pro forma revenue for FY2023.

Key customers

Our top 10 end customers by NUoS revenue consumed approximately 9.1% of total energy volume and accounted for approximately 3.2% of pro forma NUoS revenue in FY2023. The table below sets out our top ten end customers by NUoS revenue and their respective industry sectors, percentage of energy consumption and percentage of pro forma NUoS revenue for FY2023.

Top ten end customers by NUoS revenue

NO.	END CUSTOMER	INDUSTRY SECTOR	ENERGY CONSUMPTION (%)	NUoS REVENUE (% of TOTAL REVENUE)
1	Sydney Trains	Government/Transport	2.1	0.8
2	Glencore Coal Assets Australia Pty Limited	Mining	1.4	0.4
3	Yancoal	Mining	0.9	0.4
4	Orica Botany Industrial Park	Chemicals	1.3	0.3
5	Molycop	Mining	0.8	0.3
6	Sydney Airport	Transport	0.6	0.3
7	Global Switch Australia Pty Limited	Information Technology	0.5	0.2
8	Port Waratah Coal Services	Mining	0.4	0.2
9	Opal Packaging Australia Pty Ltd[(1)]	Pulp, Paper & Paperboard Manufacturing	0.8	0.2
10	Department of Defence	Government/Defence	0.2	0.1
Total			**9.0**	**3.2**

Note:

(1) Previously known as Orora Limited.

Retailers

While we provide electricity to the end customers, we do not have a direct billing relationship with them, as described above in relation to network tariffs.

In NSW, the National Energy Retail Rules specify the main contractual relationships between retailers and distributors. The National Energy Retail Rules require retailers to pay us for the provision of distribution of electricity services according to the tariffs approved by the AER (as described above), the transmission charges and for related services to the retailers' customers. Importantly, a retailer's obligation to pay the distribution charges is not affected by the failure of the end customer to pay the retailer.

Accordingly, we bill retailers for the services provided to end customers. As at 30 June 2023 we provide electricity to end customers through 61 retailers. The table below lists our top 10 retailers by revenue for FY2023.

Our Top 10 retailers for FY2023

NO.	RETAILER	PERCENTAGE REVENUE
1	Energy Australia	30%
2	AGL	23%
3	Origin	21%
4	Shell Energy	10%
5	Red Energy	8%
6	Alinta	2%
7	Simply Energy	2%
8	Stanwell Corporation	2%
9	Momentum	2%
10	Powershop	1%

Our governance

Our board of directors assumes overall responsibility for our corporate governance, overseeing the performance of the organisation, our management, our employees and the interests of our shareholders and stakeholders. As described above, we are majority owned by AustralianSuper, IFM Investors and APG Asset Management Group with the State of NSW holding the residual 49.6% interest.

Our board of directors consists of 10 members comprising an independent chairman, one director appointed by AustralianSuper, three directors appointed by IFM Investors, two directors appointed by APG Asset Management Group and three directors appointed by the State of NSW. The board is required to meet at least six times each calendar year but no less than once in every quarter (with additional meetings as the chairman shall deem appropriate). In general, board decisions can be made by ordinary majority (and the directors appointed by AustralianSuper, IFM Investors and APG Asset Management Group comprise an ordinary majority).

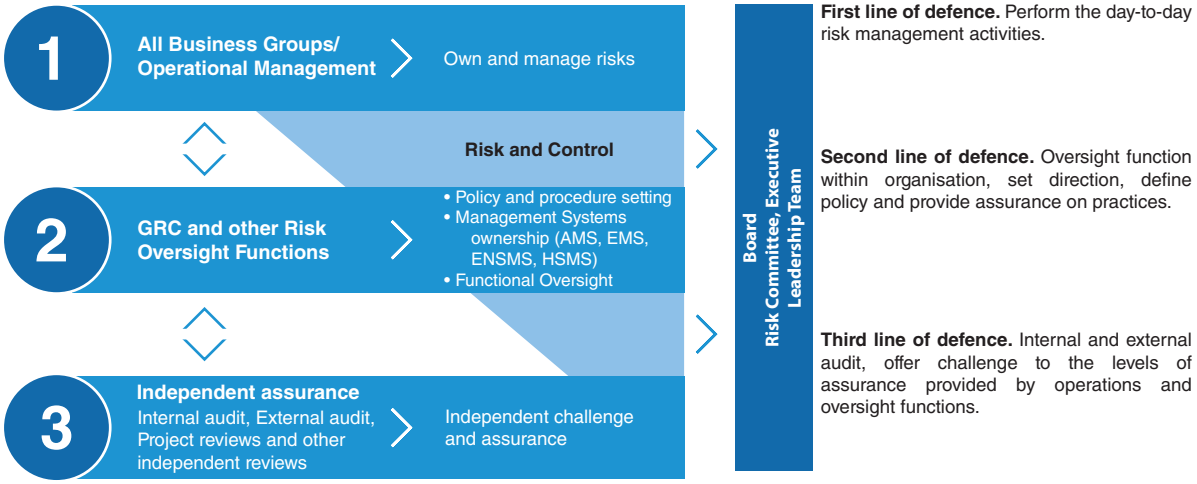
The board maintains five committees:

- Health, Safety and Environment;
- Industrial Relations Advisory;
- Risk;
- Audit; and
- Remuneration.

Our Executive Leadership Team ("**ELT**") is responsible for day-to-day operations and meets every month. The ELT is led by our Chief Executive Officer, Marc England and supported by eight executives. This is illustrated in the table below:

Executive Leadership Team			
1	Chief Financial Officer, Group Executive, Business Services	5	Group Executive, Distributed Services and PLUS ES
2	Group Executive, Customer, Assets and Digital	6	Group Executive, People and Culture
3	Group Executive, Legal, Governance and Property	7	Group Executive, Safety, Operations and Delivery
4	Group Executive, Market Development and Strategy	8	Group Executive, Transmission Development and Growth

Underpinning our approach to governance is a formalised risk management framework with strong risk management principles and our code of conduct. We have adopted a 'three lines of defence' model across the business which defines the roles and responsibilities of the business and the oversight functions, including the internal audit function.



Our strategy

Strategic Context

The energy landscape is undergoing significant transformations, characterised by a transition into renewables and out of coal. Projections indicate that 35-60% of coal-fired generation capacity could be retired by 2030.[6] Renewables have already secured a substantial foothold, constituting approximately 35% of NEM capacity energy and are projected to generate 83% of NEM energy by FY2031.[7] The rise of distributed assets and flexible demand, along with the proliferation of rooftop PV on detached homes (expected to reach 65% of detached homes by 2050[8]), underscores a shift towards decentralised energy resources. These DER are poised to contribute 23% of generation by 2040, propelled by technological advancements and cost reductions.

Electrification, the conversion of a machine or system to electricity use, involves adopting electric power to drive efficiency and sustainability across industries. The electrification wave encompasses transport, industry, and households, potentially tripling electricity demand by 2050. An anticipated fleet of around 22 million electric vehicles by 2050 would approximately require an additional 90,000 GWh of electricity.[9] Furthermore, digital platforms are becoming pivotal for both system management and consumer engagement. Amid these changes is a heightened emphasis on productivity, driving regulators to establish more rigorous benchmarks. The evolving scenario demands adaptation to a high interest rate environment, coinciding with a capital-intensive phase and global disruptions in supply and commodity markets.

Our Vision

As an energy distributor for 1.8 million customers in NSW, our capabilities impact our communities' access to energy possibilities of their choice: whether it be something more affordable, more resilient, or more flexible, as we all drive towards net zero.

'Our vision is for communities to have the power in a resilient, affordable, net-zero future.'

The vision puts Ausgrid at the forefront of the transitioned future. In a world where diverse possibilities will be more critical, widespread and expected, we will strive to be known as the leader connecting communities easily to their energy supply choices, while striving for resilience, affordability and net zero. This vision gives our business focus – focus on what is best for our communities, which will be different for each community. They will want to be enabled to choose and achieve what is best for them, and we will strive to drive the partnerships that make it happen.

Our network

Network area

We are one of three DNSPs operating in NSW, as follows:

- our network area covers most of metropolitan Sydney, the Central Coast and the Hunter Valley;

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6 Australian Energy Market Operator, 2022 Integrated System Plan, June 2022, page 9.

7 Australian Energy Market Operator, 2022 Integrated System Plan, June 2022, page 45.

8 Australian Energy Market Operator, 2022 Integrated System Plan, June 2022, page 39.

9 CSIRO, Electric vehicle projections 2021, May 2021, page 47.

- Endeavour Energy covers Sydney's Greater West, the Blue Mountains, the Southern Highlands, the Illawarra, and the South Coast; and

- Essential Energy covers the rest of NSW.

The map below shows the areas serviced by Ausgrid and part of the service area for Essential Energy and Endeavour Energy.

Map

Our network covers 22,275 square kilometres and includes some of the most densely populated areas of NSW. There are a number of higher demand areas within our network, which include the Sydney region (predominately the Sydney central business district, inner Sydney suburbs, and transport corridors) and urban areas within Newcastle. While the Hunter Valley is mainly a rural low-load density area, it also contains a significant number of mining and related industrial end customers that are supplied directly from the sub-transmission network.

We operate two main network control centres located at Silverwater in Sydney and at our Wallsend office in Newcastle.

Network infrastructure

Our core network assets are leased from the State of NSW under an original 99-year lease which expires in 2115. During the term of the lease, we are responsible for all repairs, maintenance, replacement, upgrades and extensions to our network.

The table below sets out a summary of the key operating statistics in relation to our network as at the dates indicated.

Key statistics

Key network statistics	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Network area (square km)	22,275	22,275	22,275	22,275	22,275
Customers (million)	1.75	1.77	1.78	1.79	1.80
Electricity received by distribution network to year end (GWh)	26,410	25,895	25,408	25,141	25,458
Electricity distributed to year end (GWh)(*)	25,424	24,934	24,457	24,235	24,566
Residential	8,623	8,640	8,597	8,818	8,589
Non-residential[1]	16,801	16,293	15,860	15,417	15,977
System loss factor[2] (%)	3.7%	3.7%	3.7%	3.6%	3.5%
Maximum demand (MW)	5,612	5,711	5,118	4,935	5,384
SCS RAB[3] (A$ million)	15,751	16,100	16,114	16,304	17,641
Substations (No.)					
Transmission and sub-transmission	48	47	47	47	47
Zone	182	183	184	184	183
Distribution	32,553	32,849	33,064	33,179	33,346
Total line length[4] (km)	48,905	48,869	48,639	48,186	47,523
Transmission system (km)	1,730	1,691	1,680	1,683	1,656
Sub-transmission system (km)	2,258	2,284	2,302	2,331	2,318
High voltage distribution (km)					
Overhead	10,023	10,011	10,014	10,005	10,025
Underground	8,483	8,571	8,636	8,699	8,744
Low voltage distribution[5] (km)					
Overhead	18,676	18,424	18,014	17,369	16,553
Underground	7,735	7,888	7,992	8,100	8,227
Poles (No.)	510,050	511,673	511,529	512,811	510,901
Streetlights[6] (No.)	259,928	255,160	256,058	257,155	257,440
Manually read interval meters (Type 5[7]) (No.)	559,988	498,934	462,407	438,043	424,084
Basic accumulation meters (Type 6[7]) (No.)	1,594,326	1,514,032	1,480,228	1,398,020	1,304,715
Employees (FTE[8]) (No.)	3,576	3,142	2,837	2,908	3,038

Notes:

(*) Distributed electricity volumes reported in this table do not include prior year under accrual.

(1) Includes un-metered supplies. Permanently un-metered supplies are a restricted type of connection only provided where metering is uneconomic because the load is so small, metering cannot be safely or practically provided and the energy consumption can be accurately assessed without the need for a meter.

(2) System loss factor (%) is the difference between energy received by the distribution network and energy received by end customers (including un-metered supplies), divided by the energy received by the distribution network (allowing for embedded generation), expressed as a percentage.

(3) This nominal A$ figure excludes the value of Type 5 and 6 metering assets which are ACS.

(4) Distances for overhead and underground lines are “circuit km”. A circuit is defined as an independently operable electric line of one or more phases.

(5) Includes street lighting.

(6) The number of streetlights includes Rate 1 and Rate 2 lights, all of which are within our network and recorded in our asset database.

- Rate 1 lights are lights funded and maintained by us. There were approximately 163,123 Rate 1 streetlights as at 30 June 2023.
- Rate 2 lights are funded by end customers and maintained by us. There were approximately 27,709 Rate 2 streetlights as at 30 June 2023.
- Rate 4 & 5 lights are former Rate 1 or 2 lights with Ausgrid or council funded LED lamp replacements where the luminaire was previously funded by the other party. There were approximately 66,608 Rate 4 & 5 streetlights as at 30 June 2023.

(7) Type 5 and 6 metering services refer to the quantity of electricity flowing through the connection point and each have a load cap which the jurisdiction sets between 0 and 0.75 GWh per annum.

(8) Excludes contracted services. Includes PLUS ES affiliate staff.

Network Supply Reliability

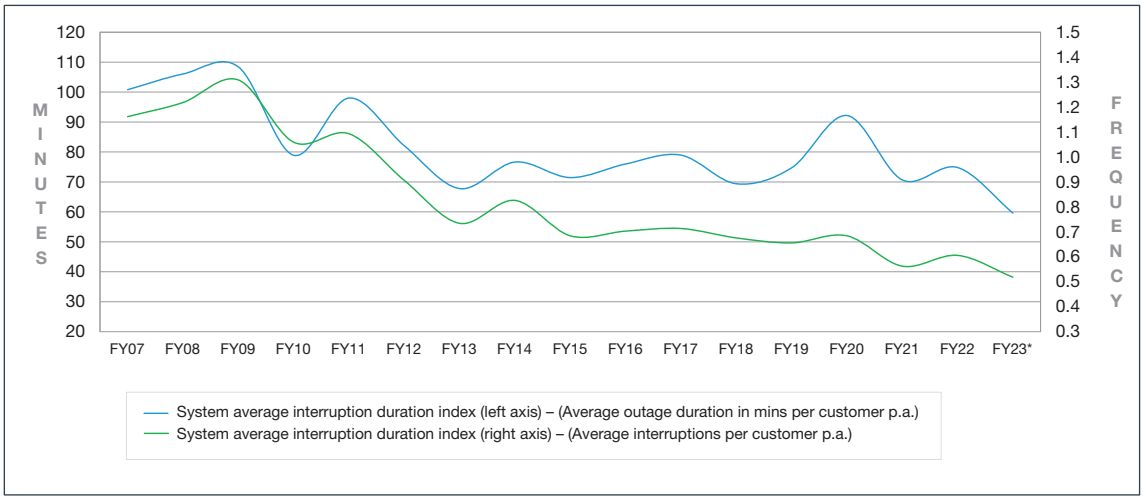
We invest in "reliability of supply" initiatives to manage reliability both proactively and reactively. Our broad capital investments aim to maintain or improve existing levels of reliability performance on the overall network, as well as specific programmes of work which are targeted towards specific areas of the network.

Our electricity distribution reliability is monitored through two peak performance measures. These are:

- SAIFI – the total interruptions to electricity supply averaged over all Ausgrid customers; and
- SAIDI – the total duration in minutes in which electricity supply to customers is interrupted if averaged over all Ausgrid customers.

Each of these measures is also monitored for the different types of network Ausgrid manages, including CBD, urban, short length rural power lines and long length rural power lines. A summary of the overall Ausgrid reliability performance is shown in the chart below.

Overall Ausgrid Reliability of Power Supply



Our operations

Our principal activity is the safe management and operation of our electricity network. As at 30 August 2023, we have approximately 2,997 employees including 66 apprentices, who are broadly organised into the following divisions:

Customer, Assets and Digital

The Customer, Assets and Digital group is accountable for finding the balance in optimising customer connections, maintenance and capital delivery. The group produces network investment plans and develops our programme of works, manages network outcomes, develops network strategies, standards and policies, provides monitoring and reporting of asset performance, and provides governance and reporting of network capital and maintenance investments.

As at 30 August 2023, the Customer, Assets and Digital group division has 760 employees.

The Customer, Assets and Digital group is a newly formed group (comprising of the former Asset Management group and additional functions) and is responsible for enabling and accelerating electrification. It incorporates:

- Asset Data and Systems – manages our regulated metering, network control system and network innovation programme, while providing stewardship and maintenance of asset data;
- Asset Risk and Performance – develops and supports asset decision-making, strategies, performance, standards, electrical safety and environmental management;
- Asset Investment – monitors and responds to network loading, reliability and power quality issues, including the impacts of DER and demand management, as well as consolidating the overall network capital portfolio;
- Engineering – produces design and engineering to support the continued operation of the network, its maintenance, growth and renewal as well as engineering for future network technologies;
- Portfolio Planning and Insights – manages the development and delivery of our maintenance and capital programmes, translating asset management needs into detailed delivery plans for delivery partners. Also responsible for estimating, operational reporting and insights and unit rate development;
- Installation Inspectors – this function is responsible for providing technical assistance to internal and external stakeholders on issues relating to service and installation rules, network standards, and various Australian standards;
- ICT – including Digital Platforms, Service Management, Information Security, Operations and Data Technology, and Customer and Corporate Technology partners;
- Network Compliance and Authorisations – responsible for undertaking inspections and work safe compliance audits for work by accredited service providers ("**ASPs**") during construction and installation phases;
- Ancillary Network Services ("**ANS**") – responsible for the delivery of connected customer ANS services such as overhead mains clearance enquiries, standby requests and high load escorts, as well as the issuing of access permits for third parties working near or connecting to Ausgrid's network;

- Customer and Partner Experience – leading the delivery of improved services to our customers;

- Climate Resilience – develops and coordinates the execution of Ausgrid's Climate Resilience Strategy including managing engagement with internal and external stakeholders; and

- Transformation Build and Maintain – this function forms part of Ausgrid's wider Transformation Program and focused on shaping future processes and systems for the initiation, co-ordination and delivery of planned work on the network.

Safety, Delivery and Operations ("SDO")

The SDO group (comprising of the former Field Operations group and additional network delivery and safety functions) provides safe and efficient delivery of field activities and includes system control and incident response, operational safety and contract delivery functions for the organisation. The SDO group represents approximately half the Ausgrid workforce stationed in depots around the network.

As at 30 August 2023, the SDO group has 1,509 employees.

The SDO group is comprised of specialists in:

- System Control – operates the network and coordinates resources to maintain customer electricity supply;

- Transmission Substations – safely and efficiently delivers the agreed programmes of work across transmission substations to meet our customer needs;

- Works Delivery – facilitates the delivery of planned and reactive work on the network;

- Operations – safely and efficiently delivers the agreed programmes of work across the network to meet our customer needs;

- Operating, Installations and Emergency Response – operates as the first responders to incidents and emergencies to make safe and restore supply;

- Contract Delivery – oversees and ensures contract delivery by third parties;

- Transmission Mains and Services – manages the operation and maintenance of transmission mains;

- Operational Health and Safety – responsible for delivering health and safety related operations, administration and communications;

- Critical Controls – responsible for applying effective critical controls to prevent fatalities and life-threatening injuries, and decreasing high potential incidents;

- Advanced Distribution Management System – reduces risks associated with its current systems and enables us to take advantage of future industry and technological developments; and

- Transformation Network Incident Response – this function forms part of Ausgrid's wider Transformation Program and is responsible for designing and delivering the next phase of our transformation and continuing to drive performance improvements across our business.

Transmission Development and Growth

The Transmission Development and Growth group is a newly formed portfolio which is responsible for growing Ausgrid's presence in transmission through participating in REZ development and monetising large battery sites.

As at 30 August 2023, the Transmission Development and Growth group has 65 employees. This group includes:

- Capital Projects – manages the construction of major/capital works projects;
- REZ Commercial and Development – developing Ausgrid's interests in Renewable Energy Zones to deliver Ausgrid's vision of giving our customers power in a resilient, affordable, net zero future; and
- Battery Energy Storage Systems ("**BESS**") – working together with stakeholders to deliver accessible low cost storage by building, owning and maintaining batteries and developing storage as a service.

Market Development and Strategy

The Market Development and Strategy group focuses on influencing policy and regulatory outcomes to deliver on our strategic priorities and shape the energy transition.

As at 30 August 2023, the Market Development and Strategy division has 38 employees. This group includes:

- Regulation – leading the five-yearly revenue reset, regulatory policy and advocacy, regulatory analytics and RIN submissions;
- Distribution System Operator Services – focus on uplifting our capability to incorporate distributed energy resources to and from the network;
- Strategy – leading the corporate strategy, strategic innovation projects, network pricing, sustainability and facilities access; and
- Corporate Affairs and Public Affairs – communications including internal and external, digital strategy, website and intranet, corporate branding, media, marketing and sponsorship, government and stakeholder relations.

Finance and Business Services

The Finance and Business Services group provides services across the organisation in finance, treasury, procurement and logistics, and other business services.

As at 30 August 2023, the Finance and Business Services group has 195 employees. This group includes:

- Shared Services – responsible for payroll, procurement, connection support and revenue programs;
- Supply Chain and Fleet – manages the Ausgrid fleet of light and heavy vehicles and the supply chain operations within the organisation;
- Network Delivery Procurement – responsible for the sourcing and establishment of contracts for external delivery of construction and other services. This includes network and non-network construction, facilities maintenance, professional services and consultancy, overhead and underground network services, security, waste, and other specialist services; and
- Corporate Finance, Treasury, and Commercial Finance & Control – responsible for Ausgrid's finance governance and providing commercial oversight that enables Ausgrid to have the optimal funding to operate efficiently and develop new growth opportunities.

Distributed Services and PLUS ES

The Distributed Services and PLUS ES group consists of the contestable metering and infrastructure services, and Ausgrid's other commercial development functions.

As at 30 August 2023, Distributed Services and PLUS ES Group has 300 employees. This group includes:

- PLUS ES – provides metering and data services, electrical and telecommunications infrastructure, and instrument calibration services to its customers; and
- Commercial Development – developing partnerships to support the electrification process.

Legal, Governance and Property

The Legal, Governance and Property group supports Ausgrid's legal, compliance, assurance and property activities.

As at 30 August 2023, the Legal, Governance and Property group has 57 employees. The functions include:

- Internal Audit, Risk and Compliance – responsible for developing and reporting against our compliance and risk management frameworks;
- General Counsel and Group Counsel Finance – provides services including legal, internal audit, governance, risk and board services;
- Strategic Property and Facilities Management – development and management of Ausgrid's property portfolio, and maintenance of our buildings and facilities;
- Protective Security and Critical Infrastructure – provides physical security to key Ausgrid assets; and
- Health and Safety Systems Assurance and Reporting – provides objective assurance of Ausgrid's health and safety systems and frameworks.

People and Culture

The People and Culture group is responsible for delivering and supporting all things related to Ausgrid's people.

As at 30 August 2023, the People and Culture group has 73 employees. The functions include:

- People Partnering – responsible for acting as a conduit for all people-related matters with functions across the organisation, and supporting the implementation of performance and culture programs;
- Organisational Capability – responsible for the design, development and evaluation of Ausgrid's organisational capability and curriculum, which includes L&D, capability development programs, and inclusion and diversity functions;
- Remuneration and People Services – this function includes talent acquisition, remuneration and benefits, HR systems, and HR reporting;

- Health and Wellbeing – supports our employees in injury management and prevention by partnering with the business in initiatives and health programs;

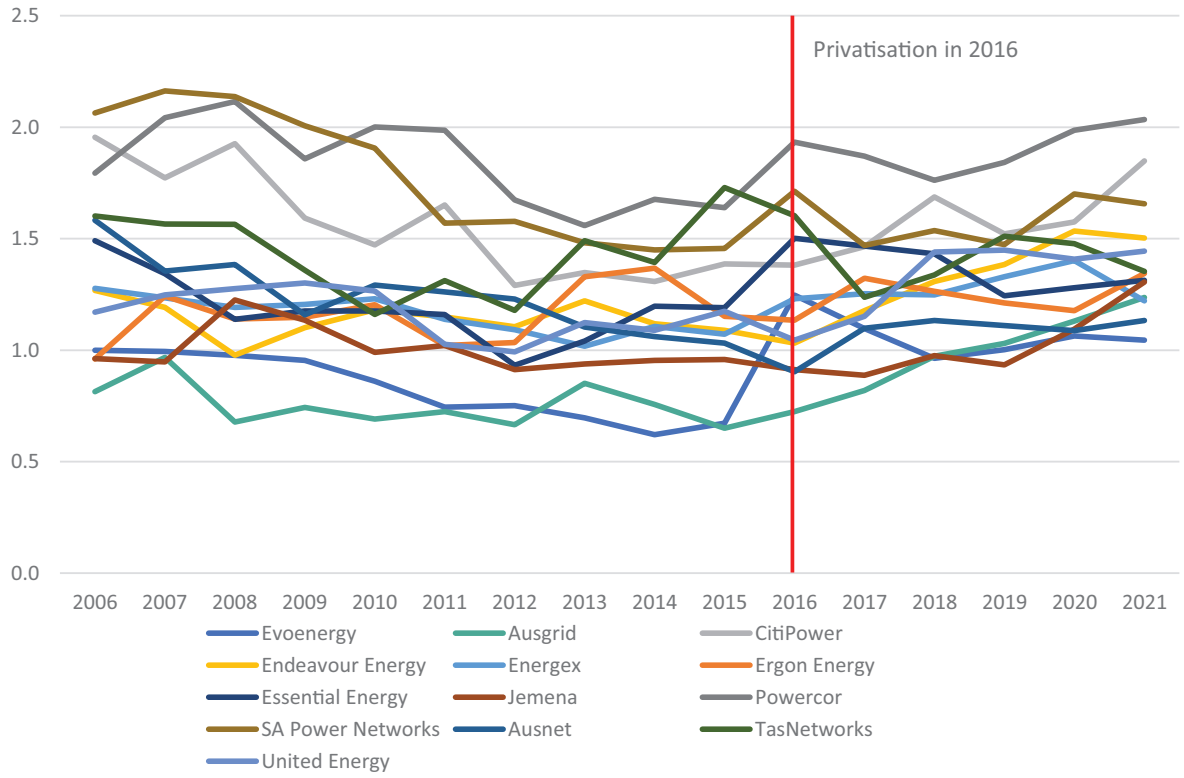
- Workers' Compensation – manages Ausgrid's self-insured workers' compensation scheme; and

- Corporate Communications – responsible for internal communications across Ausgrid to ensure open and transparent communication with our people.

Efficiency

The chart below shows that our operating expenditure efficiency has improved significantly since partial privatisation in 2016. This has been achieved through the successful implementation of a Transformation Program which is described in further detail in the section below.

Operating expenditure efficiency[10]



Source: Economic Benchmarking Results for the Australian Energy Regulator's 2022 DNSP Benchmarking Report, dated November 2022 (prepared by Quantonomics Pty Ltd).

Transformation Program

The Ausgrid Group has undergone significant reform since 2012 in line with the State of NSW's focus on putting downward pressure on electricity prices, as well following our privatisation in 2016. In each case, this reform has been guided by our Transformation Program.

The Transformation Program has contributed to a 34% reduction in regulated operating expenditure for the core pole and wire business from A$605 million in FY2016 to A$401 million in FY2023 (excluding reform costs).

[10] DNSP multilateral opex partial factor productivity indexes.

The Transformation Program is designed as a key enabler for the implementation of Ausgrid's strategy with some of our major activities listed in the table below:

Strategic Objective	Activities	Metrics
Thriving Communities: *Listen and understand to exceed customer expectations*	• Managing for the longer-term impacts of climate change related extreme weather events on our network and the communities we serve • Enhancing our digital capability through further migration of services to our Customer Relationship Management ("**CRM**") systems • Trialling emerging technology aimed at increasing the safety and reliability of our network and better accommodating the changing needs of our customers • Building a continuous improvement culture centred on customer and employee feedback	• Reputation Score ("**RepTrak**") • STPIS • Customer Confidence Score • Partner Confidence Score
Valued people: *Put our people at the heart to make Ausgrid a great place to work*	• Accelerating our inclusion and diversity journey • Supporting a capable and responsive field force incentivised to maximise productivity and meet the future needs of the business • Improving how we manage risk and sustain safe ways of working	• Total Recordable Injury Frequency Rate ("**TRIFR**") • Employee engagement score
Optimised Assets and Operations: *Excel at operations to deliver safe and affordable services*	• Building shift worker scheduling capability to lift productivity with a single view of work and resources • Rationalising our property footprint to improve operational and financial efficiency • Embedding risk-based investment prioritisation, aligning investment and delivery planning • Scaling network access supported by remote switching • Uplifting data management to improve capture of ever-increasing data sets and enabling new insights through virtual network models and advanced analytics • Planning a future upgrade to S/4HANA and taking the opportunity to simplify, standardise and integrate end to end processes across our Enterprise Resource Planning ("**ERP**") system	• S&P Funds from Operations ("**FFO**")/ net debt • Transformation Program SCS opex reduction
Delivering Net Zero: *Innovate and grow our business to support a net zero future*	• Developing and implementing dynamic solutions for DER customers • Utilising Ausgrid's assets to support a resilient and secure energy system • Creating new revenue streams aligned to net zero	• Smart Grid Index score with greater DER integration, supply reliability and improved monitoring and control

Reform costs

Our financial results for FY2019 to FY2023 have been impacted by the reform costs as set out below.

Reform costs

Reform costs (A$ million)	Year ended 30 June 2019	Year ended 30 June 2020	Year ended 30 June 2021	Year ended 30 June 2022	Year ended 30 June 2023
Redundancy	(91.7)	(14.7)	(33.5)	0.1[(1)]	(0.5)
Stranded labour	16.5	3.5	(0.1)	–	–
Career transition costs	(1.6)	(0.8)	(0.0)	–	–
Total reform costs	**(76.7)**	**(12.1)**	**(33.6)**	**0.1**	**(0.5)**

Note:

(1) The A$0.1 million relates to a restructure provision reversal for an employee who was originally identified as part of the FY2021 restructure and was re-appointed to a new position in FY2022.

These reform costs are mainly comprised of voluntary redundancy costs and stranded labour costs. The amounts presented above represent the impact on EBITDA, which is not necessarily equivalent to the actual cash outflow for the period, given that we established provisions for both redundancy costs and stranded labour costs.

Career transition costs represent costs associated with managing stranded labour, including labour costs of the career transition programme operations team and non-labour costs incurred to support personnel in the stranded labour pool.

Capital Expenditure

Our capital expenditure is primarily driven by our network investment, and covers all of the activities required to construct, replace, augment, extend, or modify our distribution and transmission network and associated assets. The different categories of our capital expenditure are described below.

Replacement capital expenditure

Replacement capital expenditure relates to replacement of assets (aged or faulty) in our network where it is economic to do so. Replacement capital expenditure is driven by the condition of assets and performance of the network. A network that is declining in condition typically delivers worsening reliability to customers and needs more maintenance investment, while regulatory requirements (e.g. bushfire mitigation or health and safety) drive other necessary investments to maintain the network in compliance with safety standards.

A large proportion of our network assets, such as substations, transmission lines and underground cables were built in the 1950s and 1960s and are nearing the end of their serviceable lives. We are increasingly focused on how best to maintain, replace or renew those assets to ensure the safe, secure and reliable delivery of services. This involves reviewing the configuration of the network to ensure that each element continues to be utilised effectively. Our asset replacements accounted for approximately 84% of our total capital expenditure programme in FY2023.

Augmentation capital expenditure

Augmentation capital expenditure relates to new capital investment that expands the network's capacity to deliver electricity, that is not connection or reliability capital expenditure. Augmentation capital expenditure is driven by the level of "peak" electricity use across the network and reflects the maximum rate of consumption at any point in time. Augmentation investments accounted for approximately 6% of our total capital expenditure programme in FY2023.

Connection and reliability capital expenditures

Connection capital expenditure relates to the Ausgrid-funded capital expenditure required to connect new end customers, with the majority of connection related works funded by customers under a contestable framework. Connection capital expenditure is designed to fund smaller customer connection activity and non-contestable network connection works, along with works associated with the assessment and assurance of these assets. Major connections are funded by a combination of customer capital contributions and Ausgrid investment with appropriate cost reflective tariff arrangements. Reliability capital expenditure relates to capital expenditure that improves network reliability in specific areas. Connections and reliability investments accounted for approximately 4% of our total capital expenditure programme in FY2023.

Non-network capital expenditure

Non-network capital expenditure relates to the spend required to support the business's operation and includes information technology, property and fleet. Capital expenditure for business transformation initiatives is included in this category. Non-network capital expenditure is allocated to the SCS, ACS and unregulated lines of business based on activity drivers.

ACS and unregulated capital expenditure

ACS and unregulated capital expenditure reflects capital investment associated with public lighting, ancillary network services and non-network capex allocations to the ACS line of business as well as unregulated investments (e.g. contestable meters).

Financial information

The following table sets out our capital expenditure in each of the above categories for FY2019 to FY2023.

Capital expenditure breakdown

Capex (A$ million)	FY2019	FY2020	FY2021	FY2022	FY2023
Replacement	577.4	385.4	321.3	404.5	560.6
Augmentation	28.7	28.6	31.4	21.7	37.1
Connection	16.9	31.8	20.1	17.6	16.6
Reliability	5.6	4.8	4.6	2.4	7.7
Non-network and other	268.9	91.2	51.0	79.1	139.2
Total SCS capex	897.5	541.8	428.6	525.3	761.3
ACS	51.7	44.2	43.7	39.5	53.0
Unregulated capex	109.3	95.5	77.1	102.2	128.0
Total capex(1)	**1,058.5**	**681.5**	**549.3**	**666.0**	**942.3**

Note:

(1) Excludes capitalised interest (which is included in cash flows from financing activities) and capital contributions. Totals may not add due to rounding.

Licences, registrations and permits

We are subject to the following NSW-specific legislation that regulates who can operate an electricity network in NSW and how it is operated:

- the Electricity Supply Act 1995;
- the Electricity Supply (General) Regulations 2014;
- the Electricity Supply (Safety and Network Management) Regulation 2014; and
- the Electricity Network Assets (Authorised Transactions) Act 2015.

The Electricity Supply Act requires that a person must not operate a distribution system for the purposes of conveying electricity, for or on behalf of retailers, unless under the authority of a distributor's licence. The Electricity Network Assets (Authorised Transactions) Act details further requirements for the operation of a leased electricity network, which apply to the Ausgrid network by virtue of the Distribution Network Lease (described below).

Our current distributor's licence was issued by the New South Wales Minister for Industry, Resources and Energy, and came into effect on 1 December 2016. It has been varied three times by the relevant Minister, on 4 December 2017, on 5 February 2019 and most recently, on 23 September 2022. It is subject to a number of conditions and is administered by IPART. In this regard, IPART is responsible for monitoring our compliance with conditions under our distributor's licence and with the safety and other elements of the Electricity Supply Act and regulations.

Overview of the distribution network lease

As described above, the State of NSW partially privatised our network in 2016 by way of a 99-year lease, which is known as the "Distribution Network Lease" or "Main Lease". The lease is granted by ADMHC in favour of the Ausgrid Asset Partnership which in turn grants a sub-lease in favour of the Ausgrid Operator Partnership. The following diagram illustrates our network lease structure.

Lease structure

An overview of the key terms of our Distribution Network Lease is as follows:

Distribution Network Lease

Item	Description
Lessor	Alpha Distribution Ministerial Holding Corporation (ABN 67 505 337 385)
Lessee	Ausgrid Asset Partnership (ABN 48 622 605 040)
Leased property	The leased property includes: • the assets forming part of the electricity network business previously operated by the Lessor in NSW, as well as the assets (to the extent not directly vested in one or more of the Group members) previously owned by the Lessor immediately before the commencement of the Distribution Network Lease (the "Leased Assets"); and • the network land and some non-network land, which includes freehold interests and leasehold interests (the "Leased Land").
Term	99 years. • Commencement Date: 1 December 2016. • Termination Date: 30 November 2115.
Option to Renew	Not later than 10 years and not earlier than 15 years before the end of the Distribution Network Lease, the Lessor must give notice to the Lessee of its decision to either: • extend the Distribution Network Lease for another 99 years from the end of the current term, on the same terms or such other terms as agreed by the parties; or • allow the lease to expire. Where the Lessor gives a notice to the Lessee extending the Distribution Network Lease, then the Lessee must pay to the Lessor an option fee (calculated in accordance with the terms of the Distribution Network Lease) at least 60 Business Days before the end of the current term.
Rent	CPI Adjusted Amount of A$550,000 per year, to be paid in advance to the Lessor on each anniversary of the Commencement Date.
Other Payments	The Lessee is responsible for the payment of all rates, taxes and services supplied in relation to the leased property, without contribution from the Lessor.

Item	Description
Permitted Use	The Lessee: • must ensure that the Leased Assets forming part of the electricity network business (and the corresponding network land) are used to conduct an electricity network business and for public lighting purposes; and • may use the Leased Assets and the Leased Land for any lawful purpose, provided that this use does not materially interfere with the use of the relevant Leased Assets (and the corresponding network land) to conduct an electricity network business and for public lighting purposes.
Operation, Repair and Maintenance ("O&M")	The Lessee must ensure that the Leased Assets, the Leased Land and the corresponding network land are managed, operated, repaired, maintained and used: • to enable the Lessee to return and surrender, or vacate and give vacant possession of, the Leased Assets, the Leased Land and the corresponding network land (as applicable) in the condition that they are required to be managed, operated, repaired, maintained and kept; • in accordance with all applicable laws and the requirements of all relevant authorisations; and • in accordance with all notices, orders and directions lawfully given by any Governmental Agency under the Electricity Network Assets (Authorised Transactions) Act 2015 (NSW), the Electricity Supply Act 1995 (NSW), the NEL and the NER, and regulations, statutory instruments and Authorisations made or issued under them.
Force Majeure Event	A Force Majeure Event is a circumstance or event that is beyond the reasonable control of the parties, and includes: • an act of God, lightning, storm, explosion, flood, landslide, bush fire or earthquake; • strikes or industrial action, other than strikes or industrial action involving only employees of the Lessee or Sublessee or persons otherwise engaged in their business; • an act of public enemy, war, terrorism, sabotage, blockade, revolution, riot, insurrection, civil commotion or epidemic; and • embargo, power shortage or water shortage, the consequences of which could not have been prevented, overcome or remedied by the party affected. The occurrence of a Force Majeure Event or its effects will not result in an extension of the Distribution Network Lease.

Item	Description
Lessor Termination Event	The Distribution Network Lease is subject to termination rights for the Lessor for certain material "Lessor Termination Events" (each of which is subject to a cure period). Any termination in such circumstances is also subject to the protections in favour of the Security Trustee under the Tripartite Deed, as detailed in the section entitled "Description of the security and intercreditor arrangements". A Lessor Termination Event may arise in respect of matters including the following: • non-payment; • insolvency events; • unauthorised assignment or granting of a security interest; • change of control; • unauthorised appointment of an operator for the leased network; • revocation of major authorisation/licence; • use of leased network for an unpermitted purpose; • unauthorised telecommunications service; and • breach of O&M obligations. As above, in each case, the defined cure periods must expire before termination rights arise, and any such termination is also subject to the cure rights in favour of the Security Trustee under the Tripartite Deed.
Other Termination	Except as set out in the Distribution Network Lease, neither the Lessor nor the Lessee may terminate the lease.
Early Termination Payment	The termination payment will vary, depending on whether the Lessor elects to dispose of the lease to a new party (i.e. to re-let the Distribution Network Lease) or to undertake a valuation (i.e. not to re-let the Distribution Network Lease). In the case of a disposal, the termination payment will be the lower of the net proceeds of the disposal and the "Outstanding Amount" (i.e. broadly, the secured money at the time subject to some deductions). In the case of a valuation, the termination payment will be the lower of the net valuation and the "Outstanding Amount" (i.e. broadly, the secured money at the time subject to some deductions). In either case, this allows the Security Trustee and the Beneficiaries to access the residual value of the Distribution Network Lease at the time.

Risk management

We have an integrated risk management framework that facilitates the comprehensive identification, assessment, and reduction of strategic and operational risks. The framework is aligned to AS/NZS ISO 31000:2018 Risk Management and includes:

- Board Policy Risk Management;
- Risk Appetite Statement, and
- Risk Management Framework.

On a quarterly basis we conduct a bottom-up/top-down review of our enterprise risks. This is then followed by an ELT workshop to agree the key enterprise risks that are reviewed and monitored by the Risk Committee. This process involves the validation of existing controls together with the controls that could be further implemented to better manage the risk.

Risk management is also applied on a day-to-day basis through the use of site-specific or task-specific hazard assessments as required under our Health and Safety Management System and EMS, Electrical Safety Rules and the overarching Electricity Network Safety Management System. At an operational level, we also utilise a variety of additional risk-based tools and methodologies including Failure Mode Effects and Criticality Analysis when considering maintenance and asset replacement requirements.

Health and Safety

We are committed to protecting the health and safety of our people, contractors and the communities we serve as part of everything we do. At the core of this is the principle that we are all responsible and accountable for our health and safety – we owe it to ourselves and each other to work safely and to speak up if we have any health or safety issues or concerns.

We believe in engaging with our people on health and safety matters, to create a strong focus on how we operate and manage a business that is both efficient and growth focused, safely at all times.

Ausgrid's Health and Safety Management System ("**HSMS**") sets out how we implement our commitment to health and safety. This framework mandates the minimum requirements for the management of health and safety risks associated with our assets, operations and activities. Our HSMS describes 'the way we do things safely' by capturing lessons learnt over time, continual improvement to processes and compliance with our regulatory requirements. This framework is intended for use in the development of health and safety strategy, plans, processes, documentation, controls and tools. The standards set out in this framework apply to the management of health and safety for the entire lifecycle of our assets, operations and activities.

We have adopted various key health and safety performance measurement targets in order to track our health and safety performance. We closely monitor a series of lead and lag indicators at all levels of the organisation, to drive the continuous improvement in our health and safety performance. Our suite of lead indicators allows for a more proactive approach in our health and safety focus and for our leadership group. These include the monitoring and review of our infield activities through a rigorous assurance programme, undertaken by our supervision, management and the health and safety team, which involves a consistent approach to reviewing the implemented critical controls for their effectiveness, associated with our return to live work and other high-risk activities. In respect of high potential incidents that occur, the incident investigations are undertaken to determine root causes and the causal factors that led to the incident occurring, to establish the facts, to both learn from the incident and stop reoccurrences.

This also includes the tracking to agreed timeframes for initial reporting and notifications, investigation completion and the corrective actions to be agreed, assigned and completed.

Our key lag indicator is our TRIFR, which measures the total number of recordable injuries (lost time injuries, medical treatment injuries and restricted work cases) that occur for every million hours worked by our employees and contractors. This rate is tracked monthly against an annual reduction target.

Cyber security

To mitigate planned and unplanned system interruptions that affect the safe supply and restoration of energy, there are various controls in place to minimise impact and keep risk within an acceptable level. Key controls include automatic failover of critical services to alternate data centres, scheduled backup and disaster recovery testing, best practice technical change management that is industry aligned, and an extensive capital asset replacement program that maintains useful asset lives of hardware and software. These key controls help the business be adaptable to minimise the likelihood and impact of system interruptions from multiple risk origins.

Our cyber security strategy is underpinned by a risk-based approach driven by the following key factors:

- There has been an increase in cyber-attacks that have been reported by Australian entities as per the most recent report (November 2022) from the Australian Cyber Security Centre ("**ACSC**")[11]. In addition, there has been a marked increase in the sophistication of the attacks and the capabilities of the attackers;

- Regulatory requirements placed on Ausgrid require us to secure access to our systems, data and partners to be in compliance. These regulatory requirements include, the Security of Critical Infrastructure Act 2018 ("**SOCI Act**"), existing New South Wales Distributor's Licence conditions, the Privacy Act 1988 and the Information Privacy Act 2014; and

- Business and technology context which requires a cost-effective use of security controls in securing existing and new systems operating in a multi-sourced and cloud hosted application context.

To ensure our assets and people are protected from cyber risks, we have proactive programmes of work in place that focus on continuous awareness and training for all staff, deployment of new cyber capabilities to combat emerging threats, threat risk assessment of new programmes of works, and periodic cyber assurance activities to test the efficacy of internal cyber controls, as well as of the third-party suppliers. To further validate the effectiveness of the cyber controls, periodic independent testing is performed, with the cyber team actively engaged with industry peers and Government in managing emerging threats and adopting cyber risk management best practices.

In addition, cyber security is governed by a monthly executive steering committee, and an update is provided to the Ausgrid Risk Committee on a quarterly basis. Any cyber risks identified are assigned to relevant risk owners who are responsible for remediating risks in-line with our risk management framework.

If cyber risks become incidents, depending upon their severity and impact, they will be managed within Ausgrid's Incident Management and Crisis Management Frameworks. These frameworks are underpinned by incident response plans and playbooks that are periodically tested to ensure a swift and timely response to a cyber incident.

[11] ACSC, ACSC Annual Cyber Threat Report July 2021 to June 2022, 04 November 2022.

Insurance

We carry insurance against insurable events which have the potential to cause damage to our assets and certain legal liabilities we may incur to third parties, including public liability, property damage and any consequent additional increase in cost of working, motor vehicle, workers compensation, excess of loss for our NSW workers compensation self-insurance licence and professional indemnity. Such insurances are generally subject to industry standard policy exclusions and other terms and conditions. We believe that our insurance policies are appropriate and adequate to protect against major operating and other identified risks, and the level and coverage of our insurances are consistent with industry practice. However, not all risks and liabilities are insurable or insured, and the insurance coverage we maintain may not extend to cover all insurable liabilities and losses.

Consistent with industry practice, we do not fully insure against property damage of our electricity distribution network, and currently maintain property insurance with a general limit of coverage of A$1 billion for any one loss or series of losses arising from any one event (excluding poles and wires). This is primarily due to the natural spread of risk of our pole and wire assets which are geographically dispersed across our distribution network and also the unavailability of cost effective insurance for such assets. We also maintain a significant level of third party liability insurance coverage including against bushfire initiation liability. The maximum deductible amount for each of these policies is currently A$10.0 million.

All reasonable commercial factors are considered in determining the extent and level of coverage required to cover such liability, including insurance premiums, loss experience and assessments of maximum foreseeable loss.

Legal and other proceedings

As at the date of this Offering Circular, there are no legal or arbitration proceedings pending or known to be contemplated that may in the future have a material effect on our financial position or profitability. We are party to a number of litigation matters in the ordinary course of business. We believe that any ultimate liability in those litigation matters will not be material to our financial position, results of operations or cash flows.

Material Indebtedness

A summary of our material indebtedness and debt maturity profile as at 30 June 2023 is shown below.

Recent financing transactions

Since 30 June 2022, the Issuer has undertaken two transactions to refinance existing indebtedness. In December 2022, the Ausgrid Group set up new bank facilities (revolver and term) under a newly established Common Terms Deed ("**CTD**"). The facilities consisted of A$500 million 4 year facility (Facility B6), A$425 million 7.25 year facility (Facility B7), and A$600 million 5.25 year facility (Facility B8). Proceeds from Facilities B7 and B8 were used to immediately repay Term Facility B5 and a portion of the Term Facility B4 of the Syndicated Facility Agreement. Facility B6 was drawn in May 2023 with proceeds used to repay the US144A notes which matured on 1 May 2023.

In June 2023, the Issuer priced a multi-tranche USPP debt transaction totalling A$1,488 million (A$ equivalent), structured across 7 year, 10 year, 12 year and 15 year tenors and in USD, GBP, CAD and AUD currency formats, which settled on 27 July 2023. The net proceeds were used to repay Term Facility B4 and a portion of the Capex Facility of the Syndicated Facility Agreement.

The outstanding balance and facility limit of our drawn corporate borrowings as at 30 June 2023 including accounting adjustments are set out below.

	BALANCE		
(A$ millions)	**current**	**non-current**	**facility limit**
SFA Term Facility B4	975	–	975
ASF 7 year Term Facility A1	–	995	995
ASF 10 year Term Facility A2	–	250	250
4 year Syndicated Facility B6T	–	105	105
7.25 year Syndicated Facility B7T	–	195	195
5.25 year Syndicated Facility B8T	–	435	435
Accounting adjustment(1)	–	–	–
Sub-total	**975**	**1,980**	**2,955**
4 year Syndicated Facility B6R	–	395	395
7.25 year Syndicated Facility B7R	–	230	230
5.25 year Syndicated Facility B8R	–	115	115
5.25 year Bilateral Facility B8R	–	50	50
Liquidity Facility C (capital expenditure)	548	–	721
Liquidity Facility D (working capital)(2)	42	–	250
Bank facilities	590	790	1,761
USPP Notes(3)	–	2,547	2,547
AMTN Notes(3)	250	2,057	2,307
EMTN Notes(3)	–	1,684	1,684
US144A Notes(3)	–	713	713
Sub-total	**250**	**7,001**	**7,251**
Transaction costs	(1)	(39)	–
Finance lease liabilities	8	59	–
Total liabilities	**1,822**	**9,791**	**11,967**

Notes:

(1) This adjustment relates to an accounting gain (rounded down to zero million) recognised on the amendment and extension of the SFA Term Facility in 2018 and in 2021. For FY2023 the adjustment is zero.

(2) The non-current balance for Liquidity Facility D (working capital facility) excludes A$42 million of bank guarantees, A$37 million of which support workers compensation regulatory requirements.

(3) The balances for USPP Notes, AMTN Notes, EMTN Notes and US144A Notes include hedge accounting adjustments and foreign exchange movements from inception to 30 June 2023. All non A$ debt is swapped back to A$ at inception and the swapped amounts are shown in the debt maturity profile.

Debt maturity profile

The table below sets out the maturity profile of our drawn debt as at 30 June 2023.

As at 30 June 2023

	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Carrying amount
SFA Term Loan Facility B4	975	–	–	–	–	975
4 year Syndicated Facility B6T	–	–	–	105	–	105
7.25 year Syndicated Facility B7T	–	–	–	–	195	195
5.25 year Syndicated Facility B8T	–	–	–	–	435	435
ASF 7 year Term Facility	–	–	–	–	995	995
ASF 10 year Term Facility	–	–	–	–	250	250
4 year Syndicated Facility B6R	–	–	–	395	–	395
7.25 year Syndicated Facility B7R	–	–	–	–	230	230
5.25 year Syndicated Facility B8R	–	–	–	–	115	115
5.25 year Bilateral Facility B8R	–	–	–	–	50	50
Liquidity Facility C (capital expenditure)	548	–	–	–	–	548
Liquidity Facility D (working capital)	42	–	–	–	–	42
USPP Notes[(2)]	–	–	–	–	2,547	2,547
AMTN Notes[(2)]	250	1,180	220	657	–	2,307
EMTN Notes[(2)]	–	–	1,002		682	1,684
US144A Notes[(2)]	–	–	–	–	713	713
Accounting adjustment[(1)]	–	–	–	–	–	–
Total drawn	**1,815**	**1,180**	**1,222**	**1,157**	**6,212**	**11,586**

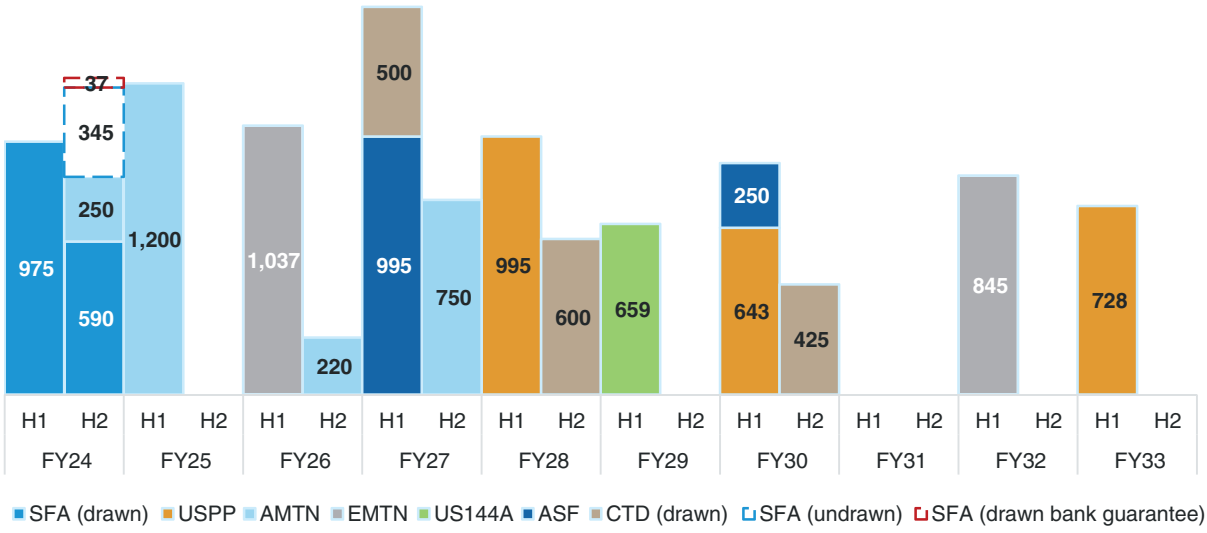
Notes:

(1) This adjustment relates to an accounting gain recognised on the amendment and extension of the SFA Term Facility in 2018 and 2021. For FY2023 the adjustment is zero.

(2) The balances for USPP Notes, AMTN Notes, EMTN Notes and US144A Notes include hedge accounting adjustments and foreign exchange movements from inception to 30 June 2023. All non A$ debt is hedged back to A$ at time of inception and the swapped amounts are shown in the debt maturity profile.

As at 30 June 2023, the weighted average term to maturity of our drawn debt was 3.9 years. The chart below illustrates the maturity profile of our drawn debt as at 30 June 2023 for each financial year from the year ending 30 June 2024 to the year ending 30 June 2033.

Debt maturity profile (A$ millions)*



* Foreign currency denominated debt shown in A$ converted at the hedged FX rates. All non A$ debt is hedged into A$ at time of inception.

Capital Management

Our commitment to prudent capital management is driven by the core strategy of maintaining investment grade credit ratings. In this regard, our Partnership Deeds and Treasury Policy require that reasonable endeavours are made to maintain a BBB (S&P)/Baa2 (Moody's) standalone baseline credit assessment and not below BBB- (S&P)/Baa3 (Moody's). The distribution policy under the Partnership Deeds also ensures that each Partnership distributes surplus cash every quarter so long as paying such a distribution does not cause the standalone baseline credit assessment to fall below investment grade (i.e. BBB (S&P)/Baa2 (Moody's)).

As at the date of this Offering Circular, the Issuer is rated Baa1 by Moody's (implied Baa2 on a standalone basis) and BBB (BBB standalone) by S&P with stable outlook on both ratings. The Moody's rating includes a one notch uplift provided for the implied support from our shareholders. We also have a range of operational levers (e.g. cost efficiency, capital expenditure programme selection and timing) and capital management levers (e.g. investment decisions, dividends, equity related funding) that can be used to support our credit profile.

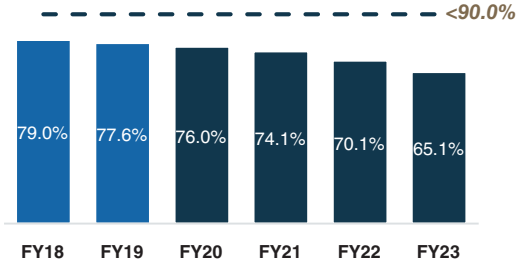
Other key considerations for capital management include the ability to meet key debt servicing criteria (e.g. cash flow coverage ratio and EBITDA/interest), capacity to finance the approved capital expenditure programme through internally generated cash flows and debt, and provision for future contingencies.

Our available cash and undrawn committed facilities totalled A$593 million and net debt to RAB leverage was 65.1% as at 30 June 2023.

Funding Metrics

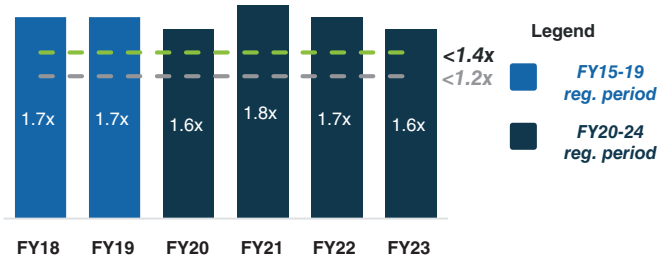
Our two primary funding metrics are net debt to RAB leverage ("**net debt/RAB**") and cash flow coverage ratio ("**CFCR**"). Target and threshold levels are specified in the Treasury Policy and the covenants in our bank debt documentation. Net debt/RAB is required to be below the maximum 90% level under the covenants in our syndicated bank debt documentation. CFCR is required to be above the minimum 1.20x default and 1.40x lock-up levels under the covenants.

Net debt/RAB



Bank covenant: <90.0%

CFCR



Default: <1.2x ***Lock-up: <1.4x***

SUSTAINABILITY

Introduction

Environmental, social and governance issues are important to our organisational performance. Our application of sustainability principles aligns with the achievement of our business plan and our strategic priorities.

Ausgrid vision
For communities to have the power in a resilient, affordable, net zero future
Ausgrid purpose
Connecting communities, empowering lives
Aligned Strategic Programs
Thriving communities; Valued people; Optimised assets and operations; Delivering net zero
Overarching guiding principles
To be a sustainable organisation, the following overarching guiding principles apply to the conduct of our business activities and are common to all stakeholders: • Supporting our vision for communities to have the power in a resilient, affordable, net zero future. • Supporting the achievement of our business plan and strategic goals by managing material risks to our business. • Creating social dividends through supporting the principles of our aligned UN Sustainable Development Goals and applying this in our decision-making. • Fostering stakeholder trust and improving our reputation by taking actions valued by our employees, customers, and communities. • Encouraging a culture of ethical behaviour that lives our values as outlined in our *Code of Conduct* and *External Partner Code of Conduct*. • Increasing business transparency will create legitimacy with our stakeholders. • Building employee engagement through our sustainability initiatives.
Core sustainability frameworks

UN Sustainable Development Goals	**Global Reporting Initiative ("GRI")**	**Energy Charter Principles**	**Science-based targets**	**Taskforce on climate-related financial disclosures ("TCFD")**
Linking our business with goals that will make the world a better place	Using a global framework to report our sustainability performance on the topics with the most impact	Making electricity affordable and listening to our customers	Measuring, reducing and reporting our scope 1, 2 and 3 emissions	Communicating how we are responding to climate change risks and opportunities

Key sustainability outputs	
• GRI Sustainability Report • Energy Charter Disclosure • TCFD Report (underway)	• Modern Slavery Statement • Carbon Emissions Performance Report
Key supporting materials	

CO_2-e reduction targets	Modern slavery roadmap	Sustainability Policy
Sustainable Procurement Policy	External Partner Code of Conduct	Ausgrid Code of Conduct
Ausgrid policies and governance	Environmental Management System ISO140001	

Material sustainability issues

We undertook an updated assessment of our material sustainability topics in FY2023. Our material sustainability issues and areas of focus which will be communicated in our FY2023 Sustainability Report are:

- **Customer experience:** Striving to ensure a positive customer experience by resolving customer challenges quickly and continuing to build trust with proactive communication.

- **Community engagement:** Continuing to build trust and social license to operate by proactively engaging and collaborating with communities, including First Nations Australians.

- **Access and affordability:** Efficient and effective management of our network to ensure consumers pay no more than necessary to access safe and reliable electricity.

- **Energy transition:** Reducing our emissions and addressing transitional climate change risks and opportunities by providing customers access to technologies and solutions that enable energy choice, resilience, and affordability.

- **Circular economy:** Reducing our emissions and waste through the sustainable procurement and end-of-life management of goods and services.

- **Health, safety and wellbeing:** Protecting the safety and wellbeing of our employees, contractors and communities so that everyone acts, feels, and is safe, in line with our value: Work Safe, Live Safe.

- **Diversity, equity and inclusion:** Continuing to build a diverse and inclusive workforce where all employees experience equal opportunity and are encouraged to contribute their unique perspectives, shaped by their personal backgrounds.

- **Employee development, attraction and retention:** Developing, attracting and retaining a workforce with the necessary skills for Ausgrid to succeed over the long term.

- **Supply chain and human rights:** Engaging with our suppliers on their human rights, social and environmental performance, and ensuring that suppliers are treated fairly and supported in meeting the ethical standards set out by our organisation.

- **Community and network resilience:** Building resilience in our network and communities to anticipate, withstand, quickly recover, and learn from disruptive events, including climate change impacts.

- **Cyber security:** Protecting our assets, operations, data and information systems from cyber threats.

- **Environment and biodiversity:** Minimising our environmental footprint, protecting biodiversity and promoting a culture of environmental innovation and responsibility.

UN Sustainable Development Goals

Considering the nature of our business and our assessment of material issues, we have identified six UN Sustainable Development Goals that are most important to our customers and business and is where we will focus our contributions including:

Affordable and clean energy

Decent work and economic growth

Industry, innovation and infrastructure

Reduced inequalities

Sustainable cities and communities

Climate action

Measuring sustainability performance

Sustainability at Ausgrid is about operating safely and responsibly, enabling us to deliver affordable, reliable, and sustainable energy choices to our customers now and in the future. Through our commitments and continued implementation of initiatives, our sustainability performance has been acknowledged through our environment, social and governance ("**ESG**") rating. In 2023, the investor ratings organisation, Sustainalytics, gave Ausgrid an ESG rating of 16.7 Low Risk, ranking 48 out of 708 utility organisations. This significantly improved from 31.5 High Risk in 2019 and 25.5 Medium Risk in 2022.

Our commitment to ESG outcomes is covered in the following sections.

ENVIRONMENT

Business wide commitments

- Reducing our own carbon emissions;
- Managing our climate change physical and transitional risks;
- Enabling the transition to net zero;
- ISO14001 Environmental Management System ("**EMS**"); and
- Working toward a circular economy.

EMS accreditation and environmental performance

Keeping our employees and communities safe and protecting the environment is vital to maintaining our social licence to operate. We recognise our obligation to manage our assets efficiently and effectively and that aligning our activities with our corporate strategy will support our economic sustainability.

Our EMS has been accredited to ISO 14001 since 1996 and covers 100% of our operations. Ausgrid's EMS is audited annually by an external accreditor and Ausgrid's Internal Audit team. In FY2023, our EMS was externally audited, and in recognising its effectiveness, the audit report stated that notable system strengths or improvements included significant commitment towards climate change mitigation strategies, progress made in fluid-filled cable replacement and SF_6 programs, and staff general awareness and operational controls.

SF_6 is a greenhouse gas (with 23,500 times more global warming potential than carbon dioxide) used in electrical switchgear as an insulator and arc quenching medium. We are examining ways to phase out SF_6 equipment, better manage its use to reduce gas losses and improve the accuracy of our loss measurement. Since implementing our SF_6 Strategy in 2021, we have delivered 95% of our improvement actions. In FY2023, we transitioned to the most accurate method to measure losses, which will help to inform better decision-making and facilitate improvements in SF_6 management, such as leak identification and repair. We continue to promote SF_6 alternatives and in FY2023 we installed four SF_6-free 33kV dry air/vacuum circuit breakers at Awaba STS.

The EMS allows us to manage our environmental risks in operating, maintaining, and building our network. It covers all aspects of environmental management, including heritage, pollution control, hazardous materials, emissions, contamination, waste, ecology, and resources. Our employees can easily access it in the field so they can do on-the-spot assessments for a wide range of issues.

In FY2023, we had zero fines or prosecutions regarding environmental compliance, zero licence breaches, and one reportable incident (lowest on record) for Ausgrid.

Eliminating waste is a concern for us, and we seek ways to increase recycling or identify circular economy opportunities to use waste as an input into another productive process. In FY2023, our operations generated 2,524 tonnes of solid, 204,000 litres of liquid and 87 tonnes of hazardous waste, with a total carbon footprint of 1,552 t/CO_2-e. 24% of our waste was recovered for re-use, recycling or energy use in FY2023.

Water is recognised as an important resource in Australia and by Ausgrid. While Ausgrid is not a large water user, with 51,545 kilolitres of potable water used in FY2022 and 72,453 kilolitres of captured/self-sourced water, we always seek to identify ways to improve our sustainable water use.

Climate change mitigation and adaptation

Climate change poses a material risk to our business, communities, and planet. Ausgrid is taking proactive steps to address the carbon footprint of our operations and support our 1.8 million customers' transition to net zero by making it a strategic priority and ensuring that our network is an enabler of clean energy solutions. A net zero future also brings opportunities for growth for Ausgrid as the electrification of energy use powered by clean sources increases.

This strategy allows Ausgrid to capture climate-related opportunities and introduce new technologies and services. These include our trialling of virtual power plants, community batteries and stand-alone power systems. In parallel, these technologies allow us to manage our network better.

We are very cognisant of our physical climate change risks, especially the annual bushfire and storm seasons in our network area. Each year we conduct significant preparations to mitigate impacts, building a thorough understanding of these risks and their management. We have developed our network resilience strategy in consultation with our customers to prepare our network for the future. Our funding requirements have been provided to our Regulator as part of our Regulatory Reset submission. A TCFD report is currently being developed, and it will detail our strategies for coping with transitional and physical climate change risks, expanding on what is currently disclosed in our Sustainability Report.

Our climate change guiding principles are:

- promote decarbonisation and pollution prevention by progressively reducing the intensity of greenhouse gas emissions in our operations;

- integrate climate change variables into internal decision-making processes as well as in the analysis and management of the long-term risks and opportunities for the organisation;

- include in our decision-making, ways to harden and increase the resilience of our network and operations to the physical impacts of climate change; and

- consider climate change risks and impacts on our operations and assets and seek opportunities for the organisation to provide innovative clean energy, infrastructure, or operational solutions on our network or to our customers.

Carbon emissions performance

Detailed information on Ausgrid's emissions targets and performance is provided in our annual Carbon Emissions Performance Report, available on our website. Ausgrid has two categories of carbon emissions reduction targets:

- 50% reduction in scope 1 and 2 emissions by 2030, baselined to FY2020.

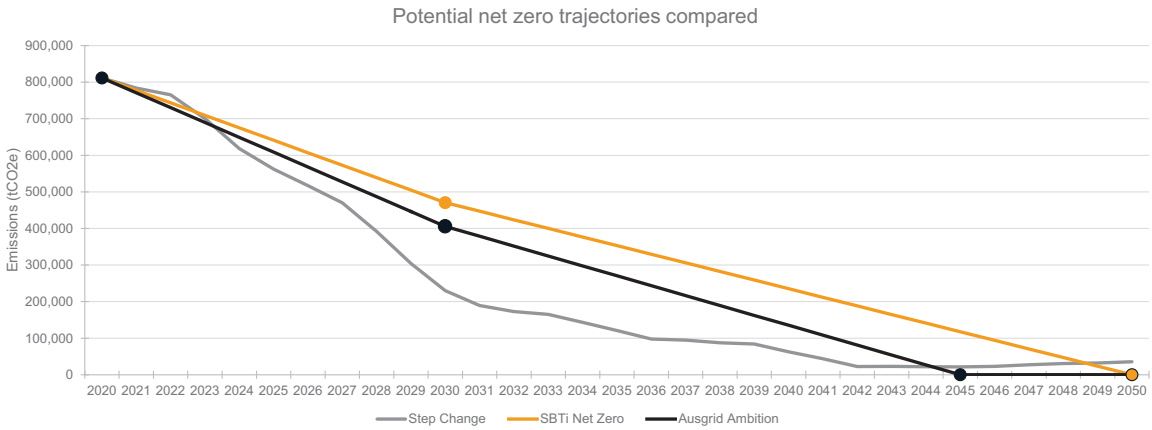
- Net zero for scope 1, 2 and 3 emissions by 2045.

Our scope 1 and 2 emissions are baselined to FY2020, and our scope 3 emissions to FY2021.

Each year Ausgrid reports on its annual scope 1 and 2 emissions performance to comply with the Federal Government's National Greenhouse and Energy Reporting scheme.

Ausgrid has also committed, as part of the "Business Ambition for 1.5C and Science Based Targets" initiative, to achieve emissions reductions (including line losses) of 50% by 2030 and net zero by 2045. This commitment and the reduction pathway have been submitted to the Science Based Targets initiative for review and endorsement.

The diagram below shows Ausgrid's ambition emission pathway to net zero using projections on the decarbonisation of the power grid (shown in the step change trajectory), which aim to reduce Ausgrid line loss emissions and complement our efforts in reducing our other emissions.



Scope 1 emissions (from petrol, oils, diesel, liquefied petroleum gas, natural gas and SF_6) – Reduced by 51% since FY2020, mostly improvements in the management of SF_6. We continue to introduce hybrid and electric vehicles into our vehicle fleet as part of its transition to a lower carbon footprint.

To mitigate our use of this gas and its potential impact, our SF_6 Strategy has targeted initiatives to minimise losses and our carbon footprint. Since implementing our SF_6 Strategy in 2021, we have rationalised our SF_6 gas in storage, recycled over two tonnes of surplus gas and positioned ourselves to transition reporting to actual losses (rather than estimates) in FY2023. Measurement improvements resulted in an 84% decrease in the carbon footprint from losses of this gas in FY2023.

New systems allow our staff to easily record any leakage or top-ups via an app. We have also implemented a shadow carbon price for assessing the purchase of any SF_6 equipment and are investigating alternative gases and equipment. With SF_6 proposed to be banned in switchgear in the EU in 2026 or 2031 (high voltage), we are working with our suppliers to trial equipment that will be used as we continue to grow and maintain our network.

Scope 2 emissions (from electricity use and distribution/transmission line losses) – Reduced 17% since FY2020 due to grid decarbonisation, reduced demand and from property improvements and the installation of solar generation. From January 2024, Ausgrid will purchase 100% renewable power for its own operations.

Scope 3 emissions – Ausgrid recently calculated its full scope 3 emissions carbon footprint based on its approximate A$700 million per annum procurement spend. This was done in line with the Greenhouse Gas Protocol. Work will continue in FY2024 to improve our processes in measuring and reporting this carbon footprint and our approach to working with suppliers to obtain actual emissions data for items procured.

Innovation – electric vehicles ("EVs")

Australia's EV market remains modest. EVs make up 8% of new light vehicle sales in NSW (up from 4% in 2022). As of early 2023, EVs represented 27,200 of the roughly 3.1 million registered vehicles in our network area, up from around 9,000 in 2022.

We continue to be actively involved in RACE for 2030 (a Federal Government supported Cooperative Research Centre for industry) research streams relating to accelerating the integration of electric vehicles into homes, businesses and electricity networks. Through our Demand Management Innovation Allowance granted by the AER, we have partnered with external organisations to better understand: EV charging behaviour, both managed and unmanaged; EV owner preferences through customer surveys; and the learnings from which we are incorporating into our demand forecasts and network planning.

We are continuing our partnership with JOLT in sharing our roadside kiosk substations as EV charging points and have commenced deploying charging points on our poles.

In terms of network impact, our most recent analysis projects EV demand to increase to approximately +291MW by 2030 (approximately 5% of total network demand) and +700MW by 2040 (approximately 10% of total network demand). This EV demand is expected to be offset by the impact of customer energy resources and energy efficiency, resulting in modest growth for the medium term. In the near term, we anticipate the future uptake of EVs to increase maximum demand by an additional 49MW or 0.8% by FY2025.

Costs to connect to our network are carried by our customers, whereas additional network capacity to support large load connections forms part of our augmentation capital expenditure. Our five-year regulatory cycle provides us with the opportunity to factor in the future demands on our network from a range of connections, including EVs, and seek Regulator approval to spend augmentation capital that can be cost recovered.

Innovation – community batteries

Ausgrid is trialling 'community batteries' to give our customers better access to affordable clean energy choices. The batteries allow our customers to export and virtually store their own solar for later use. We believe that community batteries can provide a simple option for customers and help provide affordable and sustainable energy. They will also be used to support the network in peak times and enable it to accommodate increasing levels of rooftop solar. We expect these will be a common element of our network in the future. In FY2023, we also commissioned our first two pole top batteries on our network in Maitland and the Central Coast.

Innovation – Project Edith and virtual power plant ("VPP")

Project Edith aims to showcase how the grid can facilitate technology and sustainable energy solutions to keep the network within our operating limits. In FY2023, we demonstrated that we could use dynamic pricing to encourage the charging and discharging of electricity from customer energy resources (e.g. batteries) at times that were beneficial to both the customer and the network. Sixty customers participated in the project. We hosted multiple industry and stakeholder forums to share our results and published our first Project Edith Overview Report to contribute to transformation in the industry.

Innovation – stand-alone power system ("SAPS") and microgrids

In FY2023 we installed three stand-alone power systems for trial in our footprint. This technology includes solar panels, battery storage, and a backup generator. It operates independently from the grid and provides daily uninterrupted electricity. Our SAPS project aims to demonstrate how SAPS could increase reliability and resiliency during extreme weather events for remote customers while reducing network maintenance and replacement costs. Other benefits include reducing bushfire and electrical safety risks due to the reduction of remote poles and wires.

SOCIAL

Business wide commitments

- Keeping our people, customers, and community safe;
- Delivering equitable and affordable energy choices;
- An inclusive and diverse workforce to reflect our communities;
- Listening and responding to our customers;
- Improving the customer experience; and
- Upholding human rights across our operations and supply chain.

Health and safety

Keeping our people engaged, safe and healthy is our priority and fundamental to Ausgrid's ability to deliver an essential service to our customers. Protecting our people's physical and mental wellbeing supports them to provide the best outcomes for our customers and colleagues and thrive within their community outside of Ausgrid. Given the inherently dangerous nature of electricity, the health and safety of our employees and communities are important to us, and we invest significant resources in their protection.

'Work Safe, Live Safe' is one of our core values. Our Health and Safety ("**H&S**") Strategy covers four themes:

- Define and implement critical controls for our high-risk activities;
- Enable leaders to lead critical control management and drive self-accountability at all levels;
- Simplify our systems and processes to make them easy to use; and
- Reduce risk through safe planning, design and handovers.

Governance of the projects within our H&S Strategy and our H&S objectives starts with the Board. It also includes the Board Committee, Executive Team, and the Senior Leadership Teams of each Group within the business. H&S performance is a key metric for Ausgrid's senior leaders' remuneration.

We closely monitor TRIFR performance. As proof of our focus and commitment to health and safety, our TRIFR metric has significantly reduced from 15.8 in FY2017 to 2.9 in FY2023.

Further health and safety performance information is included in our Sustainability Report, which is available on our website.

Customer engagement

We know the success of our business relies on listening and responding to our customers through our decision-making processes and investing in the communities we operate. To enable our business to deliver value for all energy consumers, we understand the importance of engaging broadly and meaningfully, including with our First Nations communities. Keeping customers at the centre of our business maintains our social licence by delivering what our customers want and a network that remains fit for purpose now and into the future.

Ausgrid embeds practices that proactively seek feedback and respond to the needs of our communities. Our Board is focused on customer outcomes, and we report customer sentiment scores in addition to annual RepTrak customer and stakeholder scores, which measure how customers/stakeholders feel, think, and act towards us. We have seen a 9-point increase in this FY2023 result, taking Ausgrid to 83.6 (up from 74.6 in 2022) and achieving a 'strong' tier classification for the first time.

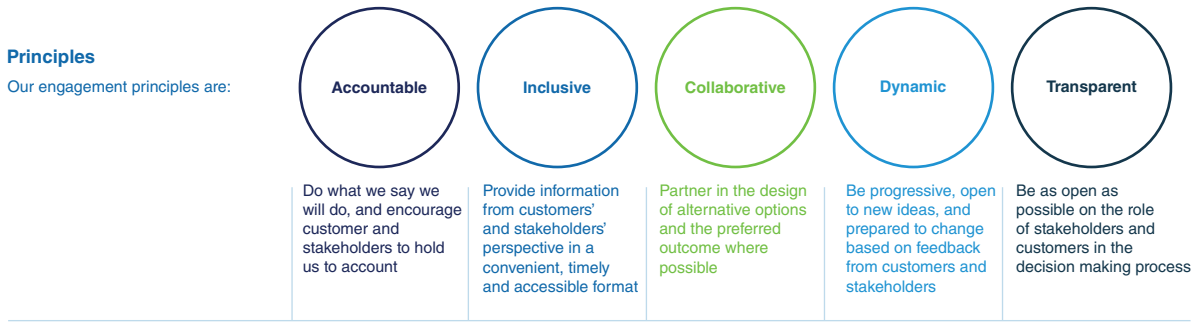
Our peak customer consultation group, the Customer Consultative Committee, provides a forum where customer advocates can advise and challenge Ausgrid on our journey to become a customer-centric business. It has two sub-committees that provide in-depth advice on specific topics: the Pricing Working Group (which assists Ausgrid in developing its approach to tariffs to deliver lower costs for our customers) and our Network Innovation Advisory Committee (which assists Ausgrid in driving our A$42 million network innovation program to inform decisions about customer energy resource trials and management of new technologies on our network).

In addition to the above customer consultation groups, we have:

- **Reset Customer Panel** – Our independent panel of customer advocates challenge us through the development of our 2024-29 Regulatory Proposal. This panel draws primarily from members of the Customer Consultative Committee, with an independent chair and its own resourcing to ensure independence and robust feedback.

- **Voice of Community Panel** – Our 'citizen jury' style panel is comprised of 86 randomly selected members of the public who represent the diverse range of household customers we serve across the Ausgrid network. This panel helps to inform and shape the future of energy as we plan for our 2024-29 regulatory reset.

Ausgrid's engagement framework guides our approach to working with our communities and is informed by the International Association of Public Participation ("**IAP2**") spectrum. We ensure our engagement is unbiased and trustworthy through the independent recruitment and facilitation of engagement and utilising the Reset Customer Panel to provide independent oversight on our 2024-29 Regulatory Proposal.



Inclusion and diversity

Ausgrid's Inclusion and Diversity Council, with our CEO as the chairperson, aims to build awareness and lead new thinking and action on inclusion and diversity. The Council's Charter provides a shared understanding of inclusion and diversity. For us, diversity refers to the differences between people in how they identify. Inclusion is the organisation's effort and practices in which different groups or individuals from diverse backgrounds are culturally and socially accepted, welcomed, and treated equitably.

Our Inclusion and Diversity Action Plan sets out Ausgrid's commitment to our employees and the communities in which we operate. To enable us to make real and accelerated change with our available resources, our plan focuses on five key diversity pillars: gender diversity; cultural diversity; LGBTQI+; ATSI (Aboriginal and Torres Strait Islander); and disability.

We know that building constructive and inclusive workplaces is key to unleashing our entire diverse employees' potential and to spark necessary innovation. Our Sustainability Report contains more information on our performance on inclusion and diversity.

Affordability

We understand that keeping electricity affordable is vital for all our customers. Ausgrid is focused on reducing cost to serve by realising efficiencies in our business, including through new technologies, to ensure that the network charges passed on to our customers remain affordable. We also enable customers to control how they use energy and seek to ensure that affordability does not prevent consumers from benefitting from the energy transition.

The regulatory framework helps guide our approach to keeping electricity affordable. We work collaboratively with customers on an ongoing basis through our various customer committees to understand what matters most to them and manage network costs. We also undertake an extensive engagement to inform our regulatory resets – this helps us reflect consumer preferences and ensure we make balanced investments informed by a willingness to pay.

Ausgrid understands that customers want flexible pricing. We continue to reform our tariff structures to offer residential and small business customers with smart meters more control over their bills through 'demand' tariffs. These tariffs allow customers to lower their bills simply by spreading out when they use appliances during peak hours. Given that peak demand is a material driver of our network costs, demand tariffs are cost-reflective, allowing customers to lower their own bills while reducing the overall costs to the network, shared by all. We also review our communication strategies to make it easier for customers to know what is driving their bills and take action to control them.

Ausgrid's business transformation initiatives are also designed to make our operations more efficient by achieving more for less. This work focuses on our strategic priorities and streamlines our operations to pave the way for significant cost savings that can be passed on to our customers in the coming years. Ausgrid has already delivered A$60 million in operational expenditure savings since FY2021 (against its target of A$68 million savings by FY2024).

Supply chain and human rights

To deliver our services to 1.8 million customers across the Ausgrid network, we have an annual procurement spend of approximately A$700 million and utilise a domestic and international supply chain. Many goods and services we procure have complex supply chains. Multiple suppliers and manufacturers are providing the raw commodities, components, and services to produce the end products we utilise. Our international supply chain covers Europe, North and South America, Asia, and the Middle East.

We have outlined our expectations for the social performance of our supply chain in our Human Rights Policy (to be published in FY2024), Sustainable Procurement Policy, and External Partner Code of Conduct. Ausgrid's human rights commitments are aligned with international human rights instruments and supported by a suite of associated policies, including our Whistleblower Policy. We also have a specific Forced Labour and Debt Bondage Position Statement that outlines our approach to addressing this form of modern slavery. Ausgrid provides its people with Procurement Awareness training to support governance and targeted Modern Slavery training to ensure our people feel equipped to manage supply chain risks. Ausgrid undertakes an annual modern slavery risk assessment and reports under the Modern Slavery Act 2018 (Cth) in our Modern Slavery Statement.

GOVERNANCE

Business wide commitments

- Building a workforce that lives our values;
- Investing in our capability to protect critical infrastructure assets;
- Integrating sustainability into policies and practices and extending to our supply chain;
- Working with our customers to improve our business;
- Our Board and its Committees oversee our success with support of our Executive Leadership Team; and
- A new business strategy and vision that will see us invest in our capabilities to benefit consumers now and in the future.

Board and sustainability governance

We understand that good corporate governance is essential to the financial success and sustainability of our company. The Board assumes overall responsibility for Ausgrid's corporate governance, overseeing the performance of the organisation, our management, employees and the interests of our shareholders and stakeholders. The Board consists of 10 members comprising four women and six men.

Underpinning our approach to governance are strong risk management principles and our Code of Conduct, which helps ensure we consistently live our values and work towards a sustainability-focused future. We have adopted a 'three lines of defence' model across the business, which defines the roles and responsibilities of the business and the oversight functions, including the internal audit function.

Director remuneration

Director remuneration is established by our shareholders, and other than the Chairman, we have no visibility on remuneration for any directors. With the exception of the Chairman, Directors are not entitled to receive fees or remuneration from any group entity in connection with their role as a director.

The Chairman is paid by the Ausgrid Group in accordance with the terms of appointment, which is comprised of a Fixed Annual Remuneration ("**FAR**") that includes superannuation. There is no Short Term Incentive Plan ("**STIP**") or Long Term Incentive Plan ("**LTIP**") included in the terms of appointment for the Chairman.

Management incentives

Ausgrid's Executive Leadership Team remuneration framework comprises a FAR and an at-risk component. FAR includes cash salary, compulsory superannuation contributions and any other salary-sacrificed benefits. The at-risk remuneration component comprises a STIP and a LTIP.

The STIP for the Executive Leadership Team includes a range of financial, operational and strategic measures that relate to building an engaged workforce, building our trusted brand, providing efficient infrastructure, driving electrification, decarbonising the energy system and growing shareholder value.

The LTIP is also based on financial and non-financial performance. The non-financial measure relates to Ausgrid's reputation with customers and key stakeholders. This is measured through RepTrak surveys and is based on four factors: the esteem, good feeling, trust, and admiration that stakeholders and consumers feel towards an organisation.

Our management team

The table below sets out the composition of our senior management team, effective from 11 August 2023.

Title	Name
Chief Executive Officer	Marc England
Chief Financial Officer and Group Executive, Business Services	Michael Bradburn*
Group Executive, Distributed Services and PLUS ES	Rob Amphlett Lewis
General Counsel and Group Executive, Governance and Property	Nigel Lowry
Group Executive, People and Culture	Celina Cross
Group Executive, Customer, Assets and Digital	Junayd Hollis
Group Executive, Safety, Delivery and Operations	Sam Sofi
Group Executive, Transmission Development and Growth	Kelly Wood
Group Executive, Market Development	Alex McPherson

* Mr. Bradburn has recently given notice of his resignation. A search is currently underway to find Mr. Bradburn's successor.

Transparency

Ausgrid provides information to the AER and IPART, with some of this information available in the public domain. Publicly available information on the AER website contains an Annual Benchmarking Report, an Economic Benchmarking RIN, a Category Analysis RIN and an Annual RIN. These documents include information on productivity, costs, revenue, operational expenditure, provisions, RAB, operational data, physical assets, quality of service, and our operating environment.

Significant financial information is provided to the AER as part of their five-year regulatory determination. Our regulatory proposal and revised regulatory proposal (submitted to the AER and available on the AER website) provide information on how we will responsibly operate our network to provide safe, reliable, affordable, and sustainable energy solutions.

Publicly available information on IPART's website includes our licence conditions and safety. We have been improving and increasing the amount of sustainability information we provide in the public domain via our website and will continue to develop this information to better inform our stakeholders and build their trust in our sustainability performance.

Developing, attracting, and retaining a skilled workforce

Our Group Executive, People and Culture, leads our approach, and we report regularly to the Board on employee engagement, attrition, and open positions.

We are also investing in career pathways to retain internal talent and have promoted 348 employees in the last year. As governed by our Board Remuneration Committee, we aim to be an employee of choice through our Career, Capability and Remuneration Framework, which enables us to recognise performance and provide more flexible career paths. This is embedded in our Enterprise Agreement, along with employee benefits, terms, and conditions, across various employment types. Ausgrid has supporting policies such as Family Leave for employees with parental leave requirements and we also accommodate flexible working arrangements. We also fully support the right to freedom of association.

We collect feedback from our people using our MySay employee engagement survey to help prioritise areas for improvement and make Ausgrid a better workplace. We also gauge the effectiveness of measures by gathering feedback through pulse check surveys, exit surveys, 'listen and learn' focus groups and informal 'Ask Me Anything' sessions with the CEO.

Cyber security

Ausgrid recognises that both our business and the cyber security environment is in continuous change. We therefore consistently apply stringent cyber safety practices and integrate this into strategic planning to help minimise the threat and impact of any potential cyber security incidents. NSW regulations require us to use 'best industry practice' to manage cyber threats to ensure our network and associated information, communications and technology systems can only be accessed, operated, and controlled from within Australia. New requirements regarding cyber security now also exist under the recently amended SOCI Act.

Our Incident Management System framework has established staged business and control restrictions in the event of a cyber security incident. We seek to identify and mitigate risks through attack simulations, penetration testing, reviewing responsibilities and addressing process gaps. This is supported by a suite of policies, including the Organisational Security Policy, Security Vulnerability and Patch Management Policy, and Acceptable Use of Technology Policy.

We also prioritise raising awareness and educating our people on cyber and physical security through campaigns, briefs, events and mandatory competency-based e-Learning. All employees and vendors undertake phishing simulations throughout the year. We consider our people our first line of defence and seek to empower them to 'see something, say something'.

Reference to European Union Sustainability Regulations and International Sustainability Standards Board ("ISSB")

We are closely monitoring the developments of the European Union's ("**EU**") regulations relating to sustainability, including the EU taxonomy for sustainable activities. In FY2023, Ausgrid developed a response to the Sustainable Finance Disclosure Regulation ("**SFDR**"). We aim to provide the necessary sustainability disclosures to support investors' analysis and reporting obligations.

We are currently reviewing the latest release of the ISSB disclosure requirements for the future release of a compliant disclosure as part of our financial reporting.

MANAGEMENT

Directors

The following tables set forth certain information regarding the directors of the Issuer and the directors of the Partnerships as of the date of this Offering Circular.

DIRECTORS OF THE ISSUER	
NAME	**TITLE**
Dr. Helen Nugent AC	Independent Chairman
Jason Peasley	Non-executive Director
Joshua Crane[(1)]	Non-executive Director
Michael Hanna	Non-executive Director
Michael Byrne	Non-executive Director
Hans-Martin Aerts	Non-executive Director
Jay Ryu	Non-executive Director

DIRECTORS OF NAP, NOP, APP AND PLUS ES PARTNERSHIP	
NAME	**TITLE**
Dr. Helen Nugent AC	Independent Chairman
Jason Peasley	Non-executive Director
Joshua Crane[(1)]	Non-executive Director
Michael Hanna	Non-executive Director
Belinda Gibson	Non-executive Director
Gillian Brown[(2)]	Non-executive Director
Steven MacDonald	Non-executive Director
Michael Byrne	Non-executive Director
Hans-Martin Aerts	Non-executive Director
Jay Ryu	Non-executive Director

Notes:

(1) Joshua Crane was appointed on 23 December 2022.

(2) Gillian Brown was appointed on 4 November 2022.

Dr. Helen Nugent AC – Independent Chairman

Dr. Nugent was appointed Independent Chairman on 6 March 2017.

Dr. Nugent is a professional company director with a strong background in the energy, resources and financial services sectors. She is currently a Non-Executive Director of IAG, TPG Telecom, the Garvan Institute of Medical Research and the Australian Olympic Foundation. Previously, Dr. Nugent has been Chairman of Veda Group, Funds SA, Australian Rail Track Corporation, Swiss Re (Australia), Sydney Airports, Macquarie Airports and the National Disability Insurance Agency. She has also been a Non-Executive Director of Origin Energy, Macquarie Group and Carter Holt Harvey. Prior to becoming a Non-Executive Director, she was Director of Strategy at Westpac Banking Corporation and a Partner at McKinsey & Company.

In 2004, Dr. Nugent was made an Officer in the Order of Australia (AO) and in 2022 was made a Companion of the Order of Australia (AC) for eminent service to people with disability through leadership of social and economic policy reform and implementation, to business, to the arts and to the community.

Dr. Nugent holds a Master of Business Administration (Distinction) from the Harvard Business School, and a Bachelor of Arts (Hons) and PhD from the University of Queensland. She has also been awarded Honorary Doctorates from the University of Queensland and Bond University. She is a Fellow of the Australian Institute of Company Directors.

Jason Peasley – Non-executive Director (AustralianSuper)

Mr. Peasley manages AustralianSuper's infrastructure investment portfolio and is a member of the leadership team in AustralianSuper's investment department.

Mr. Peasley has more than 25 years of experience in the infrastructure sector, working across infrastructure acquisitions, finance and investment management in Australia, Europe and the United States. He is a respected senior infrastructure specialist and has regularly been called upon to advise utility companies and manage utility portfolio company investments. Mr. Peasley has served as a director of NSW Ports and Queensland Motorways, both AustralianSuper infrastructure investments. Before joining AustralianSuper, Mr. Peasley served as Director and Head of Transactions at Hastings Funds Management, a specialist infrastructure investment manager. He was also Director of Infrastructure at Deutsche Bank's Investment Banking Division.

Mr. Peasley holds a Bachelor of Business (Banking and Finance) (Honours) from Monash University.

Joshua Crane – Non-executive Director (IFM Investors)

Mr. Crane is an Executive Director at IFM Investors with nearly 20 years' experience across the infrastructure sector. Mr. Crane is currently responsible for the origination, execution and management of unlisted infrastructure investments, with particular focuses on energy and transport. Prior to joining IFM Investors, he held senior roles with both Major Projects Victoria and Herbert Smith Freehills, focusing on the procurement, delivery and financing of domestic and international infrastructure investments.

Mr. Crane is a Director (and member of the Finance, Audit and Risk Management Sub-Committee) on the Board of Brisbane Airport, and was previously a Director on the Board of Wyuna Water. Mr. Crane holds a Masters of Applied Finance, Bachelor of Commerce, Bachelor of Laws (Hons) and is a Graduate of the Australian Institute of Company Directors.

Michael Hanna – Non-executive Director (IFM Investors)

Mr. Hanna has worked for more than 25 years in the design, planning, delivery and financing of major infrastructure projects. He is the Head of Infrastructure – Australia at IFM Investors and is responsible for managing the Australian Infrastructure Fund. He is also a member of the Investment Sub-Committee for IFM's Global Infrastructure Fund and is a member of IFM Investors' Leadership Team and Risk Committee. He has previously represented IFM Investors as a Director on the boards of the Eastern Distributor, Interlink Roads, Pacific Hydro, Ecogen Energy, Wyuna Water and NSW Ports (Port Botany and Port Kembla). Before joining IFM Investors, Mr. Hanna held senior executive positions at the Victorian Department of Treasury and Finance and global consulting engineers, Arup, in the UK and in Australia.

Mr. Hanna is a Member of the Australian Institute of Company Directors. He holds a Bachelor of Science (Hons) from Queen's University Belfast and a Master of Science in Urban and Regional

Planning from the University of Strathclyde, in addition to a Graduate Diploma of Applied Finance and Investment (FINSIA) and a Graduate Certificate of Management from Melbourne Business School.

Michael Byrne – Non-executive Director (IFM Investors)

Mr. Byrne has more than 30 years of executive experience in Australia and internationally in the logistics, supply chain, retail and property sectors. He is Chair of Unicorn Investments and a non-executive director of NSW Ports and Peel Ports Group (UK) as well as Senate Member and Chair of the Audit and Risk Committee at the University of Western Australia. He has previously been a CEO of Toll Holdings, Westgate Holdings, Linfox Logistics and Coates Hire. He is a member of the Australian Institute of Company Directors.

Mr. Byrne holds a Master of Science in Infrastructure and Transportation from the University of Denver, USA.

Belinda Gibson – Non-executive Director (ERIC)

Ms. Gibson is an experienced non-executive director and company advisor with strong financial and governance capabilities, including risk management. She is also a director of Brisbane Airport Corporation and Chair and member of the Board of Governors of the Electricity Retained Interest Corporation. She is a past director of Chief Executive Women, AirServices Australia, Thorn Group, GetSwift, the Sir Robert Menzies Foundation and the Australian Museum.

She was a partner of Mallesons Stephen Jaques (now King and Wood Mallesons) for 20 years, specialising in corporate law and M&A transactions. She was appointed as a commissioner and then deputy chair of the Australian Securities and Investments Commission in 2007, with lead responsibility for the capital markets divisions of the securities regulator. Since 2013, she has been a business consultant and professional company director.

Ms. Gibson holds a Bachelor of Economics and Law from the University of Sydney, a Master of Laws from the University of Cambridge and is a fellow of the Australian Institute of Company Directors and the Governance Institute of Australia.

Gillian Brown – Non-executive Director (ERIC)

Ms. Brown is an experienced non-executive director with a series of long-standing board appointments in transport and infrastructure, funds management and debt capital markets. She is currently a director of QIC Limited (including as a member of its Audit and Risk committees), BRIC Housing Ltd and One Rail Australia Holdings Limited.

Previously, Ms. Brown was a director of Australian Rail Track Corporation Limited (ARTC), the owner and operator of Australia's largest rail freight network and Queensland Treasury Corporation. She also chaired the Audit and Accounts committee of ARTC.

Ms. Brown practised as a finance lawyer until 2016. She was a partner of MinterEllison from 1994 to 2016 and Chair of MinterEllison from 2006 to 2009.

Ms. Brown has an LLB (Hons) from University of Queensland, a Graduate Diploma in Applied Finance and Investment from FINSIA and is a member of the Australian Institute of Company Directors and Chief Executive Women.

Steven MacDonald – Non-executive Director (ERIC)

Mr. MacDonald has over 20 years of experience as a business leader and board director, having led businesses in construction, infrastructure services and infrastructure ownership during an extensive career with the Transfield Group of companies and more recently the Zinfra Group. He is currently on the Investment Committee of Palisade Investment Partners.

Mr. MacDonald's industry experience includes construction and maintenance services in the power generation, renewable energy, power transmission and distribution, telecommunications, gas, water & wastewater, roads & rail, public transport and the oil & gas sectors.

Mr. MacDonald is a former Director of Yarra Trams, Transfield Worley Power Services, Transfield Services Infrastructure Fund, Ratchaburi Australia Corp Ltd, the Federal Government's Australian Centre for Renewable Energy, the Clean Energy Council, and a former member of the NSW Government's Renewable Energy Task Force.

He is a graduate of the Australian Institute of Company Directors and holds an Honours Degree in Civil Engineering from Melbourne University.

Hans-Martin Aerts – Non-executive Director (APG Asset Management Group)

Mr. Aerts is a Managing Director and Head of Infrastructure & Natural Resources, Asia Pacific at APG Asset Management, one of the largest pension fund asset managers in the world.

In February 2007, Mr. Aerts moved to Hong Kong to establish APG Asset Management Group's first office in the Asia Pacific and has since been responsible for APG Asset Management Group's regional infrastructure strategy and investments and as of 2019, he is also responsible for APG Asset Management Group's regional natural resources investment program.

Prior to working for APG Asset Management Group, Mr. Aerts was a Senior Portfolio Manager at ABP. He joined ABP in 2001 and has since worked in various areas, including listed equities, structured finance, infrastructure, and natural resources.

Mr. Aerts is a CFA charterholder and holds an MSc degree in Economics from the Erasmus University Rotterdam, an MBA degree for Executives from Tsinghua University, and an EMBA degree from INSEAD.

Jay Ryu – Non-executive Director (APG Asset Management Group)

Ms. Ryu is a Senior Portfolio Manager at APG Asset Management, one of the largest pension fund asset managers in the world. She is responsible for investing and managing APG Asset Management Group's infrastructure assets in the Asia Pacific.

Ms. Ryu has more than 15 years' experience working globally across infrastructure investments, private equity investments, and corporate finance.

Ms. Ryu holds a Master of Chemistry (MChem, First Class) degree from University of Oxford. She is a CFA charterholder.

Senior management

The following table sets forth certain information regarding our senior management as of the date of this Offering Circular.

NAME	TITLE
Marc England	Chief Executive Officer (from January 2023)
Michael Bradburn	Chief Financial Officer and Group Executive, Business Services
Nigel Lowry	Group Executive, Legal, Governance and Property
Junayd Hollis	Group Executive, Customer, Assets and Digital
Celina Cross	Group Executive, People and Culture
Kelly Wood	Group Executive, Transmission Development and Growth
Rob Amphlett Lewis	Group Executive, Distributed Services and PLUS ES
Sam Sofi	Group Executive, Safety, Delivery and Operations
Alexander McPherson	Group Executive, Market Development and Strategy

Marc England – Chief Executive Officer (from January 2023)

Mr. England joined Ausgrid as CEO in 2023, bringing a wealth of global experience spanning the energy, oil and gas and automotive industries.

Throughout his career, Mr. England has held a number of executive positions. Prior to joining Ausgrid, Mr. England was the CEO of Genesis Energy in New Zealand, delivering significant transformation and growth to a business that was at the forefront of the energy transition.

Mr. England also held Executive roles at AGL Energy where he was responsible for the establishment of the company's New Energy Arm to deliver distributed energy resources to customers. Prior to that, Mr. England spent six years at British Gas in a range of leadership roles driving impactful commercial and operational outcomes.

Complemented by his people-first approach, purpose driven leadership and breadth of skills across engineering, finance and operations, Mr. England's global experience and strategic vision will champion Ausgrid's role in the transformation to a sustainable energy industry. Through innovation, Mr. England is committed to ensuring our energy consumers play a role in enabling a more sustainable future.

Mr. England has a Master of Engineering (Mechanical and European Studies) from the University of Sussex and an MBA from Imperial College London.

Michael Bradburn – Chief Financial Officer and Group Executive, Business Services

Mr. Bradburn was appointed as Ausgrid's CFO in 2017, bringing to the role more than 20 years of experience developing high-performance cultures and driving the financial and operational performance at several of Australia's leading companies. Prior to joining the Ausgrid team, he was the CFO of Viva Energy Australia, the non-executive Director of the ASX-listed Waypoint REIT and the CFO at Brisbane Airport.

Mr. Bradburn is a Chartered Accountant, ACCA Fellow and graduate of the Australian Institute of Company Directors, and holds a Master of Business Administration from AGSM and a Bachelor of Business.

Mr. Bradburn has recently given notice of his resignation. A search is currently underway to find Mr. Bradburn's successor.

Nigel Lowry – Group Executive, Legal, Governance and Property

Mr. Lowry was appointed to the Ausgrid Executive Team in 2017. Mr. Lowry is a lawyer with more than 23 years' experience across a broad spectrum of industries, including energy, real estate, banking and construction. He also has considerable expertise in business turnaround, risk management and corporate governance.

Joining Ausgrid from a large international construction group, Mr. Lowry previously spent seven years at Macquarie Group where he was involved in numerous high-value structured capital transactions across various sectors. Mr. Lowry originally practised law at King & Wood Mallesons in Sydney and also spent several years working at Slaughter & May and Linklaters LLP in London.

Mr. Lowry is committed to helping Ausgrid deliver a more sustainable future through the identification and realisation of synergies between energy infrastructure, real estate and emerging opportunities in the energy sector.

Mr. Lowry has a Bachelor of Arts and a Bachelor of Laws (with Honours) from the University of Sydney and a Master of Commerce from the University of New South Wales. He is a member of the Australian Institute of Company Directors. Mr. Lowry was also previously the Ausgrid nominee on the Board of EISS Superannuation.

Junayd Hollis – Group Executive, Customer, Assets and Digital

Mr. Hollis has over 20 years' experience working with utilities across the globe on a range of issues spanning asset management, economic regulation, mergers and acquisitions, strategy and transformation. Mr. Hollis joined Ausgrid in December 2017 as the Head of Strategy where he worked with the Executive and Board to help shape and implement Ausgrid's longer term strategy and response to the current energy transition.

Since July 2019, Mr. Hollis has held various executive management roles responsible for balancing cost, risk and performance of Ausgrid's network in line with customer expectations.

Prior to joining Ausgrid in 2017, Mr. Hollis was a Director with Third Horizon Consulting, where he led their Energy and Infrastructure advisory practice working with clients across Australia, New Zealand, and the United Kingdom.

Mr. Hollis holds a Bachelor of Engineering Honours (Aeronautical Engineering) from the University of Sydney.

Celina Cross – Group Executive, People and Culture

Ms. Cross brings more than 20 years' experience across the breadth of Human Resources spanning various sectors including financial services, oil, retail, construction and not-for-profit. Prior to joining Ausgrid in 2023, Ms. Cross' most recent roles were with Life Without Barriers and John Holland, following 13 years at Caltex where she worked in various roles within and outside of the HR function.

Ms. Cross is passionate about building strong authentic relationships and shaping purpose aligned cultures which empower and energise people. Celina holds a Bachelor of Commerce, Human Resources & Industrial Relations from Western Sydney University.

Kelly Wood – Group Executive, Transmission Development and Growth

Ms. Wood brings more than 25 years of business experience in engineering and operations management to this newly appointed role.

Ms. Wood has held a number of leadership positions domestically and globally including roles in business capture for large complex Private Public Partnerships (PPP) in the UK that she brings to this role that is seeking to expand the role Ausgrid can play in Australia's net zero future.

In her prior role at Ausgrid, Ms. Wood was responsible for leading the Network Delivery Services Group, accountable for major projects, contract delivery, fleet and logistics, design management, major capital projects, facilities management and security operations.

Ms. Wood is passionate about Inclusion and Diversity, starting with gender, and holds a Master of Engineering Management, a Bachelor of Electrical Engineering (Hons) and an Associate Diploma of (Aeronautical) Engineering.

Rob Amphlett Lewis – Group Executive, Distributed Services and PLUS ES

Mr. Amphlett Lewis has 20 years' experience in energy markets and utilities infrastructure in Australia and the United Kingdom.

Mr. Amphlett Lewis joined Ausgrid in 2017 and was the Chief Customer Officer for four years, driving Ausgrid's journey to customer centricity through improving customer outcomes.

Since August 2023, Mr. Amphlett Lewis has led distributed services and PLUS ES and is responsible for metering, infrastructure services and key commercial growth areas such as electric vehicle charging infrastructure and community batteries.

His experience within the energy industry includes regulatory, commercial management, planning, business development and strategic accountabilities and a career in professional services, specialising as a mergers and acquisitions advisor within the energy, infrastructure and resources sectors. Before moving to Australia, Mr. Amphlett Lewis was an energy trader with TXU European Energy Trading based in the United Kingdom.

Mr. Amphlett Lewis holds Bachelor of Science Honours (Economics) from the University of Bath, United Kingdom and is currently a non-executive director with the Energy and Water Ombudsman of NSW.

Sam Sofi – Group Executive, Safety, Delivery and Operations

Mr. Sofi is the Group Executive – Safety, Delivery & Operations. Mr. Sofi's team plays a major role in continuously delivering an efficient, safe and reliable network. This incorporates field operations, system control, operating and emergency response, contract delivery and overseeing occupational health &safety and critical control management.

During his time at Ausgrid, Mr. Sofi has also held positions including Executive General Manager – Field Operations, General Manager – Technical Operations, General Manager – Asset Management and Operations and Director of Transformation. Mr. Sofi has over 25 years of industry experience which also included roles in Ausgrid's External Projects, Customer Services, Field Operating, Transmission and System Control areas.

Mr. Sofi has an Electrical Engineering Degree, a Master in Engineering Management, a Master of Accounting and Finance and has completed the Advanced Management Program from Harvard Business School.

Alexander McPherson – Group Executive, Market Development and Strategy

Mr. McPherson is an experienced industry leader with expertise in corporate, stakeholder and regulatory strategy in the energy, gas and water sectors. Prior to joining Ausgrid, Mr. McPherson's most recent roles have involved leading energy policy, regulation and commercial strategy across Jemena, Energex and ActewAGL.

Mr. McPherson is passionate about cultivating the perspectives of internal and external stakeholders and building trusted and lasting relationships throughout the community. Mr. McPherson holds a Bachelors of Economics and Law from the Australian National University and a Master of Business in Applied Finance from Queensland University of Technology.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

This Offering Circular presents selected historical consolidated financial data as at and for the years ended 30 June 2019, 2020, 2021, 2022 and 2023 which has been derived from audited consolidated financial statements prepared in accordance with AAS for those periods.

The selected historical financial data set forth below is not necessarily indicative of our future results of operations or financial condition. You should read this selected historical financial data together with the section of this Offering Circular titled "*Financial information presentation*" and our consolidated financial statements and related notes thereto.

Selected income statement data

(A$ millions)	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	2,598	2,291	2,330	2,397	2,381
Other income	–	–	–	45	–
Expenses excluding finance costs[(1)]	(1,589)	(1,611)	(1,644)	(1,566)	(1,621)
Finance costs	(478)	(478)	(446)	(443)	(444)
Gain/(loss) on disposal	(21)	(10)	(6)	247	(20)
Impairment expense	(348)	–	–	–	–
Profit before income tax	**162**	**192**	**234**	**680**	**296**
Profit for the year	**162**	**192**	**234**	**680**	**296**

Note:

(1) Expenses excluding finance costs includes distribution of energy costs; depreciation and amortisation; employee benefit expense and other expenses in the statement.

Non-GAAP financial measures

Set out below is a reconciliation of certain Non-GAAP measures to the most comparable financial measurements calculated in accordance with AAS. See "*Financial information presentation*".

EBITDA

(A$ millions)	FY2019	FY2020	FY2021	FY2022	FY2023
Profit for the year/period	162	192	234	680	296
Plus:					
Finance costs	478	478	446	443	444
Impairment expense	348	–	–	–	–
Depreciation and amortization expense	593	639	678	641	633
EBITDA	**1,581**	**1,309**	**1,358**	**1,764**	**1,373**

Selected statement of financial position information

(A$ millions)	FY2019	FY2020	FY2021	FY2022	FY2023
Assets					
Current Assets					
Cash and cash equivalents	187	403	249	432	248
Trade and other receivables. (including prepayments)	93	97	128	313	138
Contract assets	326	262	277	290	280
Inventories	38	31	22	22	34
Assets classified as held for sale	4	4	5	5	1
Derivative financial assets	–	–	–	68	3
Total current assets	**648**	**797**	**681**	**1,130**	**704**
Non-current assets					
Property, plant and equipment	16,735	16,925	16,931	17,013	17,426
Intangible assets	3,671	3,641	3,582	3,529	3,523
Derivative financial assets	641	1,146	510	1,019	1,003
Deferred tax assets	206	305	173	–	–
Other receivables	–	–	3	2	3
Defined benefit plan asset	–	–	–	1	9
Total non-current assets	**21,253**	**22,017**	**21,199**	**21,564**	**21,964**
Total assets	**21,901**	**22,814**	**21,880**	**22,694**	**22,668**
Liabilities					
Current liabilities					
Trade and other payables	292	266	302	338	327
Contract liabilities	4	6	8	10	9
Borrowings	2	3	1,364	727	1,822
Provisions	420	280	275	301	296
Deferred government grants	2	2	2	2	2
Other liabilities	4	5	5	6	3
Total current liabilities	**724**	**562**	**1,956**	**1,384**	**2,459**
Non-current liabilities					
Borrowings	13,001	13,760	11,237	11,051	9,791
Contract liabilities	15	36	64	67	78
Derivative financial liabilities	664	991	632	372	332
Deferred tax liabilities	–	–	–	234	236
Provisions	110	119	105	64	60
Deferred government grants	41	39	38	36	35
Total non-current liabilities	**13,831**	**14,945**	**12,076**	**11,824**	**10,532**
Total liabilities	**14,555**	**15,507**	**14,032**	**13,208**	**12,991**
Net assets	**7,346**	**7,307**	**7,848**	**9,486**	**9,677**
Contributed equity	8,890	8,920	8,920	8,920	8,911
Reserves	(480)	(711)	(404)	554	558
Retained earnings	(1,064)	(902)	(668)	12	208
Total equity	**7,346**	**7,307**	**7,848**	**9,486**	**9,677**

Selected statement of cash flows information

(A$ millions)	FY2019	FY2020	FY2021	FY2022	FY2023
Cash flows from operating activities					
Receipts from customers	2,440	2,237	2,214	2,270	2,227
Payment to suppliers and employees	(942)	(1,130)	(970)	(880)	(1,005)
Interest received	3	2	1	1	7
Interest paid	(434)	(449)	(443)	(423)	(426)
Net cash inflows from operating activities	**1,067**	**660**	**802**	**968**	**803**
Cash flows from investing activities					
Payments for property, plant and equipment	(920)	(621)	(498)	(600)	(821)
Payments for intangible assets	(106)	(54)	(39)	(44)	(80)
Proceeds from sale of property, plant and equipment	10	4	60	194	201
Net cash outflows from investing activities	**(1,016)**	**(671)**	**(477)**	**(450)**	**(700)**
Cash flows from financing activities					
Equity injection from Partners	43	30	–	–	65
Capital return to Partners	–	–	–	–	(74)
Proceeds from borrowings	230	1,988	1,455	845	1,983
Repayment of borrowings	–	(1,745)	(1,929)	(1,173)	(2,151)
Transaction costs paid	(14)	(16)	(5)	(7)	(10)
Finance lease payments	(3)	–	–	–	–
Distributions	(337)	(30)	–	–	(100)
Net cash inflows/(outflows) from financing activities	**(81)**	**227**	**(479)**	**(335)**	**(287)**
Net increase/(decrease) in cash and cash equivalents	**(30)**	**216**	**(154)**	**183**	**(184)**
Cash and cash equivalents, beginning balance	217	187	403	249	432
Cash and cash equivalents, ending balance	187	403	249	432	248

DESCRIPTION OF THE SECURITY AND INTERCREDITOR ARRANGEMENTS

This section contains a summary of the Securities, the Security Trust Deed and the Intercreditor Deed (each as defined below). It does not describe every aspect of them. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and conditions of the Notes, the Trust Deed, the Securities, the Security Trust Deed, the Intercreditor Deed and the other relevant underlying documents. Copies of these documents are available upon request from the Issuer. Certain definitions used in this section are set out at the end of this section for ease of reference.

Overview

The obligations of the Issuer under the Notes and the Trust Deed will be secured by all the present and future property of the Issuer ("**Issuer Security**").

In addition, the obligations of the Issuer under the Notes and the Trust Deed will be guaranteed by each Guarantor under the English law governed Guarantee contained in the Trust Deed and the New South Wales law governed guarantee contained in the Security Trust Deed (the "**Existing Guarantee**"). Each Guarantor has granted the security interests described below ("**Guarantor Security**") to secure the Secured Money, which will include amounts owing under the Notes.

In addition, each of the Holding Entities has granted the security interests described below ("**Holding Entity Security**") to secure the Secured Money, and has covenanted in its Security to pay the Secured Money, which will include amounts owing under the Notes. Each Holding Entity's covenant to pay represents a primary obligation.

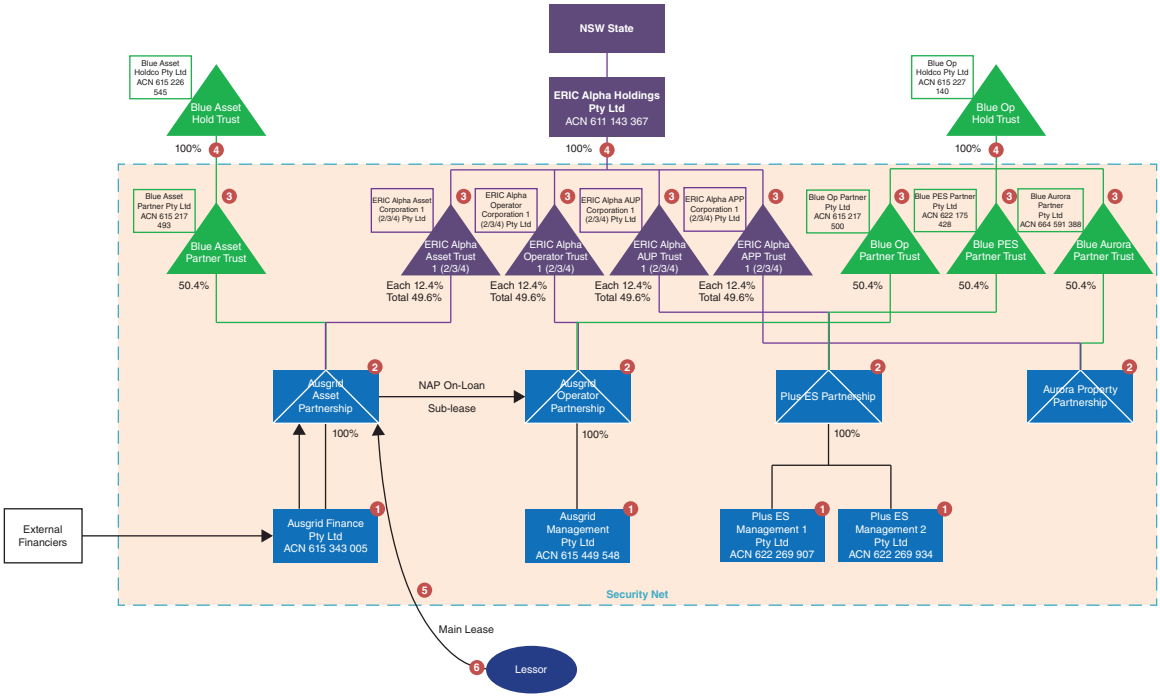
The Issuer Security, Guarantor Security and Holding Entity Security are collectively referred to as the "**Security**". The Issuer, the Guarantors and the Holding Entities are collectively referred to as the "**Relevant Entities**".

The Security operates to secure the "**Secured Money**", which is defined in the Intercreditor Deed as, at any time, all amounts that are payable, are owing but not payable or otherwise remain unpaid by the Issuer and each other Relevant Entity to a Beneficiary under or in relation to a Finance Document at that time. The Trustee and Noteholders will be Beneficiaries under the Security Trust Deed and the Intercreditor Deed, the Notes will be Finance Documents under the Security Trust Deed and the Intercreditor Deed, and accordingly money owed under the Notes will be Secured Money.

The Security Trustee holds the Security for the benefit of the Beneficiaries on the terms of the Security Trust Deed and the Intercreditor Deed. Matters relating to enforcement of the Security and distributions of proceeds of enforcement are regulated by the Security Trust Deed and the Intercreditor Deed.

The intercreditor arrangements under the Intercreditor Deed operate to ensure that all financiers who provide financial accommodation from time to time under the Finance Documents (as defined in the Intercreditor Deed and which will include the Notes and the Trust Deed) will receive proceeds from an enforcement action rateably, regardless of when their financial accommodation is provided.

The diagram below sets out the security structure applicable to the Notes, and a further description of the Security is set out below.



Notes to diagram:

Security includes:

(1) General security agreements from the Issuer, Ausgrid Management Pty Limited, Plus ES Management 1 Pty Limited and Plus ES Management 2 Pty Limited.

(2) General security agreements from the Ausgrid Asset Partnership, the Ausgrid Operator Partnership, the Plus ES Partnership and the Aurora Property Partnership.

(3) General security agreements from each partner in the Ausgrid Asset Partnership, the Ausgrid Operator Partnership, the Plus ES Partnership and the Aurora Property Partnership. As at the date of this Offering Circular, the partners in the Ausgrid Asset Partnership are the NAP Partners (as defined in "– Definitions used in this section"), the partners in the Ausgrid Operator Partnership are the NOP Partners (as defined in "– Definitions used in this section"), the partners in the Plus ES Partnership are the NUP Partners (as defined in "– Definitions used in this section") and the partners in the Aurora Property Partnership are the APP Partners (as defined in "– Definitions used in this section"). There are four "Eric Alpha" partners in each of the Ausgrid Asset Partnership, the Ausgrid Operator Partnership, the Plus ES Partnership and the Aurora Property Partnership.

(4) Specific security agreement over the shares and units in each partner in the Ausgrid Asset Partnership, the Ausgrid Operator Partnership, the Plus ES Partnership and the Aurora Property Partnership. As at the date of this Offering Circular, the partners in the Ausgrid Asset Partnership are the NAP Partners (as defined in "– Definitions used in this section"), the partners in the Ausgrid Operator Partnership are the NOP Partners (as defined in "– Definitions used in this section'), the partners in the Plus ES Partnership are the NUP Partners (as defined in "– Definitions used in this section") and the partners in the Aurora Property Partnership are the APP Partners (as defined in "– Definitions used in this section"). There are four "ERIC Alpha" partners in each of the Ausgrid Asset Partnership, the Ausgrid Operator Partnership, the Plus ES Partnership and the Aurora Property Partnership.

(5) Mortgage of the Network Lease.

(6) Tripartite deed in respect of the Network Lease and sub-lease arrangements. Security interests do not include security over the Lessor itself.

Key aspects of structure

The key aspects of the structure include the following:

(a) the shares in the Issuer are held by the Ausgrid Asset Partnership. In this respect, as at the date of this Offering Circular, the partners in the Ausgrid Asset Partnership are comprised of the NAP Partners;

(b) the shares in Network Management are held by the Ausgrid Operator Partnership. In this respect, as at the date of this Offering Circular, the partners in the Ausgrid Operator Partnership are comprised of the NOP Partners;

(c) the shares in Plus ES Management 1 Pty Limited and Plus ES Management 2 Pty Limited are held by the Plus ES Partnership. In this respect, as at the date of this Offering Circular, the partners in the Plus ES Partnership are comprised of the NUP Partners; and

(d) the shares and units in the NAP Partners, the NOP Partners, the NUP Partners and the APP Partners are held by the Holding Entities.

On loan arrangements

The Issuer is a special purpose company whose role is to raise finance for the benefit of the Group. Funds raised by the Issuer are on-lent within the Group pursuant to on-lending agreements. In particular, the Issuer will on-lend the proceeds of the Notes to the Ausgrid Asset Partnership. The Ausgrid Asset Partnership will, as required, further on-lend the proceeds to the Ausgrid Operator Partnership and the Plus ES Partnership. The Ausgrid Asset Partnership and Ausgrid Operator Partnership also make on loans to the Aurora Property Partnership. These on loan arrangements will not limit the direct Guarantee and Securities for the benefit of Beneficiaries, as described in this section.

Guarantees

The obligations of the Issuer under the Notes and the Trust Deed will be guaranteed by each Guarantor under each of the English law governed Guarantee and the New South Wales law governed Existing Guarantee. The Guarantors are as follows:

(a) the Ausgrid Asset Partnership;

(b) the NAP Partners;

(c) the Ausgrid Operator Partnership;

(d) the NOP Partners;

(e) the Plus ES Partnership;

(f) the NUP Partners;

(g) the Aurora Property Partnership;

(h) the APP Partners;

(i) Network Management;

(j) Plus ES Management 1 Pty Limited;

(k) Plus ES Management 2 Pty Limited; and

(l) any other person that becomes a "Guarantor" under the Security Trust Deed from time to time,

in each case, for so long as it is a Guarantor under the Trust Deed.

Existing security interests

Each of the security interests described below has been granted in favour of the Security Trustee. Pursuant to the Security Trust Deed, the Security Trustee holds the benefit of these security interests for the Beneficiaries, which, following the Trustee's accession to the Intercreditor Deed, will include the Trustee and the Noteholders.

Each of the security interests described below is governed by the laws of the State of New South Wales, Australia and each is registered on the Personal Properties Securities Register under the PPSA.

Initial General Security Deeds

The Issuer and each Guarantor has granted security interests as follows, to secure the Secured Money:

(a) the Issuer has granted a security over all of its present and after-acquired property under a general security deed dated 28 November 2016 in favour of the Security Trustee;

(b) Network Management has granted a security over all of its present and after-acquired property under a general security deed dated 28 November 2016 in favour of the Security Trustee;

(c) each of Plus ES Management 1 Pty Limited and Plus ES Management 2 Pty Limited has granted security over all of its present and after acquired property under a general security deed dated 24 November 2017 in favour of the Security Trustee;

(d) Ausgrid Asset Partnership has granted a security over all of its present and after-acquired property and the trust property that is the property of the Ausgrid Asset Partnership ("**NAP Partnership Assets**"), under a general security deed dated 28 November 2016 in favour of the Security Trustee. The Ausgrid Asset Partnership has additionally granted a mortgage over its interest in the Network Lease under a Mortgage dated 1 December 2016 in favour of the Security Trustee;

(e) Ausgrid Operator Partnership has granted a security over all of its present and after-acquired property and the trust property that is the property of the Ausgrid Operator Partnership ("**NOP Partnership Assets**") under a general security deed dated 28 November 2016 in favour of the Security Trustee;

(f) Plus ES Partnership has granted a security over all of its present and after-acquired property and the trust property that is the property of the Plus ES Partnership ("**NUP Partnership Assets**") under a general security deed dated 24 November 2017 in favour of the Security Trustee;

(g) Aurora Property Partnership has granted a security over all of its present and after-acquired property and the trust property that is the property of the Aurora Property Partnership ("**APP Partnership Assets**") under a general security deed dated 24 May 2023 in favour of the Security Trustee;

(h) each NAP Partner (in its personal capacity and in its capacity as trustee for its trust) has granted a security over all of its present and after-acquired property and the relevant trust property, under a general security deed dated 28 November 2016 in favour of the Security Trustee. This general security deed:

(i) secures the property held by the NAP Partners in their personal and trust capacities, rather than in their partnership capacity;

(ii) does not secure the property which is held by the NAP Partners in their partnership capacity. This is on the basis that such partnership property is already secured by the security described in paragraph (d) above;

(iii) when taken together with the security described in paragraph (d) above, ensures that the Security Trustee has security over all of the property of each NAP Partner (*i.e.*, personal property, trust property and partnership property); and

(iv) in respect of the "Featherweight Collateral" (being the credit balances in distribution accounts), is a featherweight charge. This reflects that the Holding Entities (rather than the Beneficiaries) are entitled to the benefit of amounts which have already been distributed;

(i) each NOP Partner (in its personal capacity and in its capacity as trustee for its trust) has granted a security over all of its present and after-acquired property and the relevant trust property under a general security deed dated 28 November 2016 in favour of the Security Trustee. This general security deed:

(i) secures the property held by the NOP Partners in their personal and trust capacities, rather than in their partnership capacity;

(ii) does not secure the property which is held by the NOP Partners in their partnership capacity. This is on the basis that such partnership property is already secured by the security described in paragraph (e) above;

(iii) when taken together with the security described in paragraph (e) above, ensures that the Security Trustee has security over all of the property of each NOP Partner (*i.e.*, personal property, trust property and partnership property); and

(iv) in respect of the "Featherweight Collateral" (being the credit balances in distribution accounts), is a featherweight charge. This reflects that the Holding Entities (rather than the Beneficiaries) are entitled to the benefit of amounts which have already been distributed;

(j) each NUP Partner (in its personal capacity and in its capacity as trustee for its trust) has granted a security over all of its present and after-acquired property and the relevant trust property under a general security deed dated 24 November 2017 in favour of the Security Trustee. This general security deed:

(i) secures the property held by the NUP Partners in their personal and trust capacities, rather than in their partnership capacity;

(ii) does not secure the property which is held by the NUP Partners in their partnership capacity. This is on the basis that such partnership property is already secured by the security described in paragraph (f) above;

(iii) when taken together with the security described in paragraph (f) above, ensures that the Security Trustee has security over all of the property of each NUP Partner (*i.e.*, personal property, trust property and partnership property); and

(iv) in respect of the "Featherweight Collateral" (being the credit balances in distribution accounts), is a featherweight charge. This reflects that the Holding Entities (rather than the Beneficiaries) are entitled to the benefit of amounts which have already been distributed; and

(k) each APP Partner (in its personal capacity and in its capacity as trustee for its trust) has granted a security over all of its present and after-acquired property and the relevant trust property under a general security deed dated 24 May 2023 in favour of the Security Trustee. This general security deed:

(i) secures the property held by the APP Partners in their personal and trust capacities, rather than in their partnership capacity;

(ii) does not secure the property which is held by the APP Partners in their partnership capacity. This is on the basis that such partnership property is already secured by the security described in paragraph (g) above;

(iii) when taken together with the security described in paragraph (g) above, ensures that the Security Trustee has security over all of the property of each APP Partner (*i.e.*, personal property, trust property and partnership property); and

(iv) in respect of the "Featherweight Collateral" (being the credit balances in distribution accounts), is a featherweight charge. This reflects that the Holding Entities (rather than the Beneficiaries) are entitled to the benefit of amounts which have already been distributed;

The references to "trust property" reflect that some of the Guarantors are trustees of trusts and grant security over the property which is subject to those trusts.

Holding Entity Securities

As set out in the diagram above, the shares and units in the NAP Partners, the NOP Partners, the NUP Partners and the APP Partners are held by the Holding Entities. The Holding Entities are Blue Asset HoldCo Pty Limited and Blue Op Holdco Pty Limited (being the Holding Entities for the Private Parent Entities) and ERIC Alpha Holdings Pty Limited (being the Holding Entity for ERIC-A).

In this respect, each Holding Entity has granted a security interest as follows to secure the Secured Money:

(a) ERIC Alpha Holdings Pty Limited (ACN 611 143 367) has granted a security over:

(i) all its present and future interest in, to, under or derived from all marketable securities held by ERIC Alpha Holdings Pty Limited in the relevant subsidiary Guarantors; and

(ii) all monetary obligations now or in the future actually or contingently owing by the relevant subsidiary Guarantors to ERIC Alpha Holdings Pty Limited,

under the specific security deeds dated 28 November 2016 (and amended on 24 November 2017) and 24 May 2023 respectively in favour of the Security Trustee. ERIC Alpha Holdings Pty Limited has additionally granted a featherweight charge over any distributions paid to ERIC Alpha Holdings Pty Limited by such subsidiary Guarantors and all ERIC Alpha Holdings Pty Limited's other present and after-acquired property not set out above.

(b) Blue Op HoldCo Pty Limited (ACN 615 227 140) has granted a security over:

(i) all its present and future interest in, to, under or derived from all marketable securities held by Blue Op HoldCo Pty Limited in the relevant subsidiary Guarantors; and

(ii) all monetary obligations now or in the future actually or contingently owing by the relevant subsidiary Guarantors to Blue Op HoldCo Pty Limited,

under the specific security deeds dated 28 November 2016 (and amended on 24 November 2017) and 24 May 2023 respectively in favour of the Security Trustee. Blue Op HoldCo Pty Limited has additionally granted a featherweight charge over any distributions paid to Blue Op HoldCo Pty Limited by such subsidiary Guarantors and all Blue Op HoldCo Pty Limited's other present and after-acquired property not set out above.

(c) Blue Asset HoldCo Pty Limited (ACN 615 226 545) has granted a security over:

(i) all its present and future interest in, to, under or derived from all marketable securities held by Blue Asset HoldCo Pty Limited in the relevant subsidiary Guarantors; and

(ii) all monetary obligations now or in the future actually or contingently owing by the relevant subsidiary Guarantors to Blue Asset HoldCo Pty Limited,

under a specific security deed dated 28 November 2016 in favour of the Security Trustee. Blue Asset HoldCo Pty Limited has additionally granted a featherweight charge over any distributions paid to Blue Asset HoldCo Pty Limited by such subsidiary Guarantors and all Blue Asset HoldCo Pty Limited's other present and after-acquired property not set out above.

How the Noteholders get the benefit of the Existing Guarantee and security interests

The Trustee has executed and delivered to the Intercreditor Agent a Beneficiary Accession Deed under the Intercreditor Deed, and thereby has acceded to the Intercreditor Deed. Upon accession to the Intercreditor Deed, the Trustee automatically became a Beneficiary under the Security Trust Deed, on its own behalf, and on behalf of the Noteholders. The Security Trust Deed is structured so as to allow the Trustee to accede for itself and for and on behalf of the Noteholders and thereby the Trustee and Noteholders have the benefit of the existing Security without the need for additional security or guarantees to be granted. As a result, the Noteholders and the Trustee will share the benefit of the Security rateably with the other Beneficiaries under the Security Trust Deed and Intercreditor Deed.

Other Beneficiaries

There are two classes of Beneficiaries which have the benefit of the Security granted to the Security Trustee under the Security Trust Deed. These are the Senior Beneficiaries and the Junior Beneficiaries. The Trustee and the Noteholders will be Senior Beneficiaries and will rank pari passu with the existing Senior Beneficiaries.

Other Senior Beneficiaries under the Security Trust Deed as at the date of this Offering Circular include:

(a) the Issuer's bank debt financiers;

(b) holders of capital markets instruments issued by the Issuer; and

(c) Hedge Counterparties in respect of certain hedging arrangements.

Other Senior Beneficiaries in the future will include other bank debt financiers and holders of other capital markets instruments upon the Issuer entering into further financing transactions.

The Security Trust Deed includes intercreditor and subordination principles with respect to the Junior Beneficiaries. Although the Security Trust Deed contemplates both Senior Beneficiaries and Junior Beneficiaries, there are currently no Junior Beneficiaries in the financing structure as at the date of this Offering Circular. To the extent that in future there are any Junior Beneficiaries, those Junior Beneficiaries will not obtain the benefit of any enforcement action with respect to the Security, and will not be counted in relation to any voting, until all of the Secured Money owing to the Senior Beneficiaries which is or may become outstanding and all amounts that are or may become due to the hedge counterparties in relation to all secured hedge transactions have been unconditionally and irrevocably paid in full.

The Security Trust Deed and the Intercreditor Deed do not place restrictions on the incurrence of financial indebtedness by the Issuer or the Guarantors.

How the Security Trustee acts

The Security Trustee can only take action on any matter if it receives instructions from the Intercreditor Agent to do so. When seeking instructions from the Intercreditor Agent, the Security Trustee must specify a reasonable period (consistent with any corresponding time period relating to such instructions imposed under the Intercreditor Deed) within which those instructions are to be given.

How the Intercreditor Agent acts

Majority Beneficiary decisions

Subject to the matters described in the sections listed below, decisions may only be taken if the Intercreditor Agent has received instructions from the Majority Beneficiaries (*i.e.*, 66⅔% of the sum of the Exposures of all Beneficiaries entitled to vote on that Decision). A further description of the "**Majority Beneficiaries**" is set out below under the section entitled "*Determining the Majority Beneficiaries by Exposures*".

This does not apply to certain decisions in respect of which instructions from other requisite majorities are required–these are described in the following sections below:

(a) "Acceleration and Enforcement Action";

(b) "Facility Specific Decisions"; and

(c) "Decisions requiring instructions from all Beneficiary Groups, the Majority Hedge Counterparties or each Hedge Counterparty and other Creditors".

The Beneficiaries cannot make a Decision at any time to amend the Finance Documents in a manner which would discriminate against any one or more of the Hedge Counterparties (in their capacity as Hedge Counterparties) as against any one or more Beneficiaries, without the approval of all the Hedge Counterparties at that time. Any such amendment purported to be made without such approval is of no force or effect.

Determining the Majority Beneficiaries by Exposures

The Majority Beneficiaries are, with respect to a Decision, the Creditors and the Hedge Counterparties which are entitled to vote on that Decision and whose "**Exposures**" (as described in the next paragraph) exceed, in aggregate, 66⅔% of the sum of the Exposures of all Beneficiaries entitled to vote on that Decision.

Voting rights are determined with reference to the Exposures of Beneficiaries, which are generally as follows (without double counting):

(a) for holders of notes or bonds (such as a Noteholder):

  (i) prior to any acceleration, the total principal amount outstanding of each note or bond held by the Creditor at that time; or

  (ii) after acceleration, the aggregate amount necessary to redeem the notes or bonds held by the Creditor.

  (iii) This means that any early redemption "make-whole" premium will only be taken into account for calculating Exposures of a Noteholder after acceleration;

(b) for a Creditor under a syndicated facility agreement or other funding document which is not a bond or note document, the amount of that Creditor's participation in the total principal amount outstanding under the Finance Documents and its undrawn commitment (unless cancelled);

(c) for a Hedge Counterparty:

  (i) prior to close out or termination of the relevant hedge transactions, the potential hedge exposure calculated in accordance with that Hedge Counterparty's hedging agreement; and,

  (ii) after close out or termination of the relevant hedge transactions, the hedge exposure calculated in accordance with that Hedge Counterparty's hedging agreement.

  Hedge Counterparties are generally only entitled to vote as a Beneficiary if any Hedge Exposure is due and payable to the Hedge Counterparty; and

(d) the aggregate of all other amounts which then are due for payment, owing but not currently due for payment, contingently owing or remain unpaid to the Beneficiary or for the Beneficiary's account in connection with a Finance Document.

Block voting

In respect of Decisions under the Security Trust Deed and Intercreditor Deed (other than in respect of acceleration and enforcement action), any Represented Beneficiary Group (which will include the Noteholders) or Unrepresented Beneficiary Group will vote as a block. This means that if:

(a) a requisite majority of Beneficiaries within the Represented Beneficiary Group or Unrepresented Beneficiary Group (as applicable) consent to a Decision, the consent will be taken to have been given by the whole of the Represented Beneficiary Group or Unrepresented Beneficiary Group (as applicable); or

(b) a requisite majority of Beneficiaries within the Represented Beneficiary Group or Unrepresented Beneficiary Group (as applicable) do not consent to a Decision, the consent will be taken not to have been given by the whole of the Represented Beneficiary Group or Unrepresented Beneficiary Group (as applicable).

This will apply to the holders of the Notes, who will be treated as a Represented Beneficiary Group for the purposes of the Intercreditor Deed.

Facility Specific Decisions

All Facility Specific Decisions will be made on the basis of the voting procedures set out in the relevant Non-Common Finance Document. In the case of the Notes and the Trust Deed, this means that decisions which relate to the amendment of the Trust Deed will be made in accordance with the Trust Deed.

If a waiver of a provision of, or any consent, approval or authorisation under, the Trust Deed is sought, and an equivalent waiver, consent, approval or authorisation is sought under one or more other secured financing arrangements, then for the purposes of that decision the Majority Beneficiaries will be calculated on an aggregate basis by reference to the Exposure of the Noteholders and the Beneficiaries under the other relevant financing arrangements. In such circumstances, depending on the relative Exposures of the relevant Beneficiaries, the Noteholders may not by themselves be capable of constituting the Majority Beneficiaries and may not have sufficient Exposure to block any such Decision. Any such Decision made by the Majority Beneficiaries will be binding on the Noteholders notwithstanding the vote of the Noteholders.

Decisions requiring instructions from all Beneficiary Groups, the Majority Hedge Counterparties or each Hedge Counterparty and other Creditors

Certain Decisions may only be taken if the Intercreditor Agent has received instructions to take such action from:

- the Debt Representative of each "Represented Beneficiary Group" (*e.g.*, the Trustee in the case of the Noteholders, the facility agent under the Syndicated Facility Agreement, the indenture trustee in the case of the 144A notes, and the note trustee in the case of the Australian Medium Term Notes);

- each "Unrepresented Beneficiary Group" (*e.g.*, any USPP noteholders who are not represented by a trustee);

- the "Majority Hedge Counterparties" or (in relation to paragraph (e) below) each "Hedge Counterparty"; and

- each other "Creditor" under a Finance Document designated as a "Bilateral Facility Agreement".

These include Decisions:

(a) to amend the definition of *"Aggregate Decision Specific Exposure"*, *"Beneficiary Group"*, *"Represented Beneficiary Group"*, *"Unrepresented Beneficiary Group"*, *"Finance Document"* (other than paragraph (h) of that definition), *"Instructing Group"* (other than paragraph (b) of that definition), *"Majority Beneficiaries"*, *"Secured Money"*, *"Senior Debt"* or clauses 10 (*Enforcement*), 12 (*Distribution of Recovered Money*) or 4 (*Voting*) (other than clause 4.4(c)) of the Intercreditor Deed, or any requirement in a clause requiring the agreement or instruction of (or which states that the Intercreditor Agent is to act on the instruction of) a Beneficiary, a specified majority of Beneficiaries (or a class of them) or all the Beneficiaries (or all of the applicable class of them);

(b) which has the effect of varying the order of priority in the enforcement waterfall set out in clause 12 (*Distribution of Recovered Money*) of the Intercreditor Deed;

(c) to amend the terms of the Guarantee set out in clause 6 of the Security Trust Deed;

(d) to permit any re-assignment, re-transfer or release (whether partial or in full) of any security interest created or evidenced by any Security granted by a Core Entity or any guarantee granted by a Core Entity or otherwise release, materially modify or adversely affect any such security interest or guarantee in each case granted by a Core Entity (other than as permitted by, or in relation to a disposal permitted under, the Finance Documents);

(e) to amend the definition of *"Beneficiary"*, *"Exposure"*, paragraph (h) of *"Finance Document"*, paragraph (b) of *"Instructing Group"*, *"Hedge Exposure"* or *"Rating Agency"* or to amend clause 4.4(c) of the Intercreditor Deed; and

(f) an amendment of any definition in the Finance Documents relevant to the above decisions.

Acceleration and enforcement action

The Intercreditor Deed contains a detailed regime for the taking of acceleration action by Beneficiaries and the instructing of enforcement action under the Securities. In this respect, the ability of a Beneficiary to exercise rights of acceleration or to require the Security to be enforced ("**Enforcement Action**") depends on the nature of the event which has occurred. There are five categories of events which are relevant as follows:

- the appointment of an administrator to a Relevant Entity;
- the insolvency of a Relevant Entity;
- the occurrence of a Fundamental Event of Default;
- the occurrence of a General Event of Default; and
- the occurrence of a Specific Beneficiary Event of Default.

Each of these key terms (and associated definitions) are as follows:

A "**Fundamental Event of Default**" means any act, matter or event which is defined as an "Event of Default" (or such other analogous term) in a Finance Document ("**Event of Default**"):

(a) that is a payment default by a Relevant Entity under a Finance Document and the applicable grace period under the Finance Document (before such failure becomes an Event of Default under the relevant Finance Document) has expired;

(b) under any cross default or cross acceleration clause in a Funding Document which is triggered by the relevant Beneficiaries under another Funding Document declaring the amounts owing under that other Funding Document due and payable prior to the scheduled date for payment as a consequence of the occurrence of a Fundamental Event of Default of the kind referred to in subparagraphs (a) or (c); or

(c) that is the termination of the Network Lease, the occurrence of a Lessor Termination Event under (and as defined in) the Network Lease or the Network Lease becoming void, voidable, unenforceable or of limited force or effect.

A "**General Event of Default**" means an Event of Default which is not a Fundamental Event of Default, a Specific Beneficiary Event of Default or an Event of Default which is an Insolvency Event.

A "**Specific Beneficiary Event of Default**" means, at any time, an Event of Default which occurs under the Funding Documents to which one or more, but not all, of the Instructing Groups are party at that time (excluding for this purpose a cross-default Event of Default which is triggered as a result of the first-mentioned Event of Default) but, for the avoidance of doubt, does not include a Fundamental Event of Default or an Event of Default which is an Insolvency Event.

"**Instructing Group**" means in relation to a Decision in connection an Event of Default or a matter referred to in Clause 10 (*Enforcement*) of the Intercreditor Deed, each of the following:

(a) in relation to the Initial Syndicated Facility Agreement, the Majority Lenders (as defined in the Initial Syndicated Facility Agreement);

(b) in relation to the Hedging Agreements, Hedge Counterparties under the Hedging Agreements who together have at least two-thirds (or such other level agreed between the Borrower and the Hedge Counterparties) of the total Exposure of the Hedge Counterparties under the Hedging Agreements;

(c) in relation to the Bilateral Facility Agreements, the Creditors under the Bilateral Facility Agreements who together have at least two-thirds (or such other level agreed between the Borrower and such Creditors) of the total Exposure of all the Creditors under all such Bilateral Facility Agreements; or

(d) in relation to any other Finance Document (including a Note Document):

    (i) if that Finance Document (or another relevant Finance Document) specifies a requisite majority or class or person for the purposes of making such Decision, such requisite majority or class or person determined in accordance with that Finance Document (or other relevant Finance Document) (for example and without limitation, the "majority lenders", the "majority financiers", the "required holders", an "ordinary resolution", an "extraordinary resolution" or "special quorum resolution");

    (ii) otherwise, if the Beneficiary Accession Deed applicable to that Finance Document specifies a requisite majority or class or person for the purposes of such Decision, such requisite majority or class or person determined in accordance with the Beneficiary Accession Deed; or

    (iii) otherwise, the Beneficiaries in relation to that Finance Document who have at least two-thirds of the total Exposures of all Beneficiaries in relation to that Finance Document, or such other majority or class or person agreed between the Borrower and the Beneficiaries in relation to that Finance Document and notified to the Intercreditor Agent.

The table below summarises what action can be taken whilst the relevant Event of Default is subsisting according to the nature of the event which has occurred.

Type of Event	Acceleration rights	Enforcement rights
Appointment of administrator		Any Instructing Group can instruct the Security Trustee to appoint a receiver immediately. If the Security Trustee has not received instructions within 10 Business Days, the Security Trustee will appoint a receiver.
Insolvency Event	Following enforcement – see "*Enforcement rights*" column.	Any Instructing Group can instruct the Security Trustee to take Enforcement Action immediately.
Fundamental Event of Default	The following "standstill periods" apply: (i) 5 Business Days for a Fundamental Event of Default described in paragraph (c) of that definition (being the termination of the Network Lease, the occurrence of a "Lessor Termination Event" under the Network Lease or the Network Lease becoming void, voidable, unenforceable or of limited force and effect); and (ii) 10 Business Days for any other Fundamental Event of Default. After the applicable standstill period, then any Instructing Group which has the benefit of that Fundamental Event of Default can accelerate.	Immediately following any permitted acceleration, the Majority Beneficiaries can instruct the Security Trustee to take Enforcement Action. After 10 Business Days following any permitted acceleration, the relevant Instructing Group which has accelerated can instruct the Security Trustee to take Enforcement Action.

Type of Event	Acceleration rights	Enforcement rights
General Event of Default	The Majority Beneficiaries can accelerate immediately. After an applicable "standstill period" of 20 Business Days, any Instructing Group can accelerate.	Immediately following any permitted acceleration, the Majority Beneficiaries can instruct the Security Trustee to take Enforcement Action. After 20 Business Days following any permitted acceleration, Beneficiaries representing at least 33⅓% of Exposures can instruct the Security Trustee to take Enforcement Action. After 40 Business Days following any permitted acceleration, the relevant Instructing Group which has accelerated can instruct the Security Trustee to take Enforcement Action.
Specific Beneficiary Event of Default	A first "standstill period" of 20 Business Days applies. After that first standstill period: (a) if more than one Default Notice was received by the Intercreditor Agent, the relevant Majority Beneficiaries (counting only those to whom the Event of Default applies); or (b) if only one Default Notice was received by the Intercreditor Agent, the Instructing Group that served the Default Notice, can accelerate. In the case of paragraph (a) above only, a second "standstill period" of 20 Business Days then applies. After the expiry of that second standstill period, any Instructing Group to whom the Specific Beneficiary Event of Default applies can then accelerate.	Immediately following any permitted acceleration, the Majority Beneficiaries can instruct the Security Trustee to take Enforcement Action. After 20 Business Days following any permitted acceleration, Beneficiaries representing at least 33⅓% of Exposures can instruct the Security Trustee to take Enforcement Action. After 40 Business Days following any permitted acceleration, the relevant Instructing Group which has accelerated can instruct the Security Trustee to take Enforcement Action.

As noted above, the block voting regime described above does not apply to decisions in relation to acceleration and enforcement. In respect of these decisions, the Exposures of Beneficiaries will be aggregated on a "pooled" basis. This means that each Beneficiary will vote its Exposure either for or against the relevant decision and such vote will be counted accordingly.

Procedures for seeking instructions

When seeking instructions from the Beneficiaries, the Intercreditor Agent must specify a "reasonable period" in which instructions are to be provided. Such "reasonable period" must be at least 15 Business Days from the date of the request for instructions, or in the case of an urgent matter such shorter period determined by the Intercreditor Agent having regard to the circumstances. Shorter periods may also apply if there are not any outstanding Notes or other capital markets issuances, but these shorter periods will not be relevant to Noteholders.

The Beneficiary (or, if applicable, its Debt Representative) must advise the Intercreditor Agent of its Exposure at 5.00 pm on the Business Day prior to the relevant day a vote is required to be made.

If a Beneficiary (or its Debt Representative) does not provide instructions as to its Exposure or the Exposure of the Beneficiaries in that Represented Beneficiary Group or does not advise whether it, or the Beneficiaries in that Representative Beneficiary Group, consent to the Decision within the specified period, that Beneficiary (or those Beneficiaries) will be taken to have an Exposure of nil.

In determining what constitutes a "reasonable period," the Security Trustee must take into account:

(a) the urgency within which instructions are required;

(b) the facts and circumstances then subsisting;

(c) the number of Beneficiaries involved;

(d) the time reasonably required to liaise with each Beneficiary; and

(e) if known, the minimum time period (if any) provided for casting votes in accordance with the terms of the relevant funding documents including, without limitation, terms relating to convening of meetings and voting.

Distribution of Recovered Money

Proceeds recovered as a result of enforcement action must be distributed by the Security Trustee generally as follows:

(a) first, in payment of all amounts which, to the extent required by law, have priority over the payments specified in the balance of clause 12.1 (*Enforcement Waterfall*) of the Intercreditor Deed;

(b) second, to the Security Trustee for its costs, fees, charges and expenses and other amounts due to it in its capacity as Security Trustee;

(c) third, to the Intercreditor Agent for its costs, fees, charges and expenses and other amounts due to it in its capacity as Intercreditor Agent;

(d) fourth, to the Debt Representatives pari passu and rateably among the Debt Representatives for their costs, fees, charges and expenses and other amounts due to them in their respective capacity as Debt Representative;

(e) fifth, to the extent it represents the proceeds of enforcement of a Security Interest, to the holder of any prior ranking Security Interest of which the Security Trustee, receiver, Controller or attorney has actual knowledge to the extent the holder is entitled to those proceeds in priority to any other person in clause 12.1 (Enforcement waterfall) of the Intercreditor Deed;

(f) sixth, to each Beneficiary towards payment pro rata of any loans (and interest in connection with them) the subject of clause 7.2 (If a Beneficiary does not fund) of the Intercreditor Deed. These loans relate to providing the Security Trustee or Intercreditor Agent with funds before acting when another Beneficiary does not provide its share of such funds;

(g) seventh, to the Beneficiaries, other than any Junior Beneficiary, pari passu and rateably for the balance of the Secured Money (i.e., there are no separate limbs for payment of early redemption "make-whole" premiums or swap break costs and such amounts are to be paid at this level of the payment waterfall);

(h) eighth, to the Junior Beneficiaries either pari passu and rateably for the Secured Money owing to them or in the order of priority as between themselves;

(i) ninth, in payment only to the extent required by law, in order of their priority, of other Security Interests of which the Security Trustee, receiver, Controller or attorney has actual knowledge and which are due and payable in accordance with their terms; and

(j) tenth, the surplus (if any) after the Secured Money owing to all Beneficiaries is paid or satisfied in full, to the Obligors.

Proceeds distributed in accordance with the Security Trust Deed to the extent payable in respect of Notes will be paid to the Trustee who will then distribute them to Noteholders in accordance with the Trust Deed.

If a Beneficiary receives any Secured Money on or after the Enforcement Date (including without limitation, a recovery by way of set-off or banker's lien), that Beneficiary must notify the Security Trustee and must pay that amount to the Security Trustee within two Business Days of receiving it.

Additional Relevant Entities

Under the Security Trust Deed, the Obligors agree to ensure that any person who becomes a partner in the Ausgrid Asset Partnership or the Ausgrid Operator Partnership (as applicable):

(a) grants the same Security as the Obligors who are the existing partners in the Ausgrid Asset Partnership or the Ausgrid Operator Partnership (as applicable); and

(b) becomes bound by the Security Trust Deed as a Guarantor and Obligor and by the Intercreditor Deed as an Obligor.

The Security Trust Deed also provides that an Obligor and Guarantor may only be released if the aggregate Total Assets of the Group members that will continue to provide Security over their assets in favour of the Security Trustee after release of the Obligor and Guarantor will not (tested by reference to the most recently prepared management accounts or financial statements of the Group at the time of the release) be less than 90% of the Total Assets of the Group.

Release of Security

The Security Trustee must not permit any re-assignment, re-transfer or release (whether partial or in full) of any Security Interest created or evidenced by any Security granted by a Core Entity or any guarantee granted by a Core Entity (other than as permitted by, or in relation to a disposal permitted under, the Finance Documents) unless instructed by the Intercreditor Agent who has received instructions from:

(a) the Debt Representative of each Represented Beneficiary Group;

(b) each Unrepresented Beneficiary Group;

(c) each Hedge Counterparty; and

(d) each other Creditor under a Bilateral Facility Agreement.

Indemnity to Security Trustee and Intercreditor Agent

Under the Intercreditor Deed, the Security Trustee and the Intercreditor Agent have the benefit of an indemnity from each Beneficiary (rateably in accordance with its Exposure) against any loss or liability suffered or incurred by the Security Trustee or Intercreditor Agent (as applicable) as a result of, among other things, the performance or purported performance of its duties under the Security and all actions, proceedings, costs, claims and demands arising in relation to any Finance Document. Under the Security Trust Deed, the Security Trustee is indemnified out of the assets of the Security Trust in respect of all liabilities it incurs in acting as Security Trustee under the Finance Documents (including legal expenses on a full indemnity basis).

Each "Note Trustee" under the Intercreditor Deed (including the Trustee) is only obliged to indemnify the Intercreditor Agent or Security Trustee under the Intercreditor Deed or the Security Trust Deed if and to the extent that it retains and is entitled to retain amounts for and on behalf of its Noteholders which may be applied for the purpose or has otherwise received funds for that purpose from the Noteholders. A Note Trustee (including the Trustee) is not liable to indemnify the Security Trustee or Intercreditor Agent out of its own funds.

Limitation of Liability of Security Trustee and Intercreditor Agent

Under the Intercreditor Deed, the Security Trustee and the Intercreditor Agent (and their respective directors, officers, employees, agents, attorneys or Related Bodies Corporate (as defined under the *Corporations Act*)) are not liable to any Beneficiary or any Relevant Entity in respect of a broad range of matters, including (among other things):

(a) any loss or damage occurring as a result of them failing to exercise or purporting to exercise any power under a Finance Document; or

(b) any other matter or thing done, or not done, by any of them in relation to any Finance Document,

except in the case of their own fraud, gross negligence or wilful misconduct.

Network Tripartite Deed

The Network Tripartite Deed is a deed dated 1 December 2016 between Ausgrid (the statutory State owned entity which is the Lessor under the Network Lease, formerly known as "Ausgrid" but now known as "Alpha Distribution Ministerial Holding Corporation") ("**Lessor**"), the State, the Ausgrid Asset Partnership as Lessee ("**Lessee**"), the Ausgrid Operator Partnership as Sublessee ("**Sublessee**") and the Security Trustee. It is consistent with the form of tripartite deed used by the State in all recent NSW electricity network infrastructure privatisations.

Under the Network Tripartite Deed:

(a) the Lessor consents to the creation and existence of the Security (including the mortgage of the Network Lease granted by the Ausgrid Asset Partnership);

(b) the Lessor agrees that neither the creation of the Security nor the exercise of any powers under it is of itself a breach of, or constitutes a "Lessor Termination Event" under, the Network Lease or entitles the Lessor to exercise any termination right under the Network Lease;

(c) the Lessor agrees that an Enforcing Party (such as the Security Trustee or a receiver) may, in the exercise of its powers under any Security, assign and transfer the Network Lease in accordance with its terms, provided that the Enforcing Party does so in compliance with the requirements in the Network Lease. In this respect, the Network Lease provides that the consent of the Lessor to an assignment is required, however the Lessor must not unreasonably withhold or delay its consent where certain conditions are satisfied (such as that the assignee has sufficient financial and technical resources and is of good repute); and

(d) the Lessor grants certain cure rights to the Security Trustee in respect of "Lessor Termination Events" under and as defined in the Network Lease. The cure regime provides that the Lessor must not exercise any termination rights it would otherwise have under the Network Lease unless:

    (i) the relevant cure period allowed under the Network Lease has elapsed without the Lessor Termination Event being remedied or, if earlier, an Insolvency Official has been appointed with respect to the Network Lease or the Lessee;

    (ii) the Lessor has given a Termination Notice with respect to that Lessor Termination Event to the Security Trustee; and

    (iii) the relevant breach has not been remedied or waived in writing by the Lessor within the further cure period set out in the Network Tripartite Deed (or the Security Trustee at any time notifies the Lessor that it elects not to take any steps to remedy the relevant breach). In most cases, the further cure period is 40 Business Days, subject to a shorter period of 10 days where the relevant breach is the carrying out of an unauthorised telecommunications services (which would be a particularly significant breach).

In addition to the above, the Network Tripartite Deed sets out the termination payment that will be available to the Security Trustee and the Beneficiaries following an actual termination of the Network Lease. The termination payment will vary, depending on whether the Lessor elects to dispose of the Network Lease to a new party (*i.e.*, to re-let the Network Lease) or to undertake a valuation (*i.e.*, not to re-let the Network Lease). In the case of a disposal, the termination payment will be the lower of the net proceeds of the disposal and the "Outstanding Amount" (*i.e.*, broadly, the Secured Money at the time subject to some deductions). In the case of a valuation, the termination payment will be the lower of the net valuation and the "Outstanding Amount" (*i.e.*, broadly, the Secured Money at the time subject to some deductions). In either case, this allows the Security Trustee and the Beneficiaries to access the residual value of the Network Lease at the time.

Definitions used in this section

The following terms have the following meanings when used in this section. These are short-form summary definitions to assist in the interpretation of this section. Full definitions are set out in the relevant underlying documents.

APP Partners means:

(a) ERIC Alpha APP Corporation 1 Pty Ltd ACN 664 207 907 in its personal capacity and as trustee of the ERIC Alpha APP Trust 1;

(b) ERIC Alpha APP Corporation 2 Pty Ltd ACN 664 208 066 in its personal capacity and as trustee of the ERIC Alpha APP Trust 2;

(c) ERIC Alpha APP Corporation 3 Pty Ltd ACN 664 208 315 in its personal capacity and as trustee of the ERIC Alpha APP Trust 3;

(d) ERIC Alpha APP Corporation 4 Pty Ltd ACN 664 208 404 in its personal capacity and as trustee of the ERIC Alpha APP Trust 4; and

(e) Blue Aurora Partner Pty Ltd ACN 664 591 388 in its personal capacity and as trustee of the Blue Aurora Partner Trust.

Aurora Property Partnership means the Australian partnership known as the Aurora Property Partnership (ABN 13 635 796 526).

Ausgrid Asset Partnership means the Australian partnership known as the Ausgrid Asset Partnership (ABN 48 622 605 040).

Ausgrid Operator Partnership means the Australian partnership known as the Ausgrid Operator Partnership (ABN 78 508 211 731).

Beneficiary means each Beneficiary under and as defined in the Security Trust Deed and the Intercreditor Deed.

Beneficiary Accession Deed means a Beneficiary Accession Deed under the Intercreditor Deed.

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in Melbourne and Sydney and if payment is required to be made and there are amounts outstanding to the Beneficiaries in a currency other than Australian dollars, in the principal financial centre in the country of that currency or, if the currency is euros, a day on which the TARGET system is operating.

Controller has the meaning given in the Corporations Act.

Core Entity means the Issuer, Network Management, the Ausgrid Asset Partnership, the Ausgrid Operator Partnership and the partners in them.

Corporations Act means Australian *Corporations Act 2001* (Cth).

Creditors means the Creditors under the Intercreditor Deed.

Debt Representative means the debt representative (such as an indenture trustee, note trustee or agent) of a Represented Beneficiary Group.

Decision means any decision which may be taken in connection with the Finance Documents. It excludes a Facility Specific Decision.

Enforcement Date means the day on which the Security Trustee is instructed under the Intercreditor Deed to take enforcement action or a Beneficiary otherwise commences enforcement action.

Event of Default means an act, matter or event which is defined as an "Event of Default" (or such other analogous term) in a Finance Document.

Existing Guarantee means the guarantee from the Guarantors contained in the Security Trust Deed.

Facility Specific Decision is defined in the Intercreditor Deed.

Finance Documents is defined in the Intercreditor Deed.

Group means the Issuer and the subsidiary entities of the Ausgrid Asset Partnership and the Ausgrid Operator Partnership (as if each of them were a body corporate).

Guarantee means the guarantee from the Guarantors to be contained in the Trust Deed.

Guarantor means each of:

(i) the Ausgrid Asset Partnership;

(ii) the NAP Partners;

(iii) the Ausgrid Operator Partnership;

(iv) the NOP Partners;

(v) the PLUS ES Partnership;

(vi) the NUP Partners;

(vii) the Aurora Property Partnership;

(viii) the APP Partners;

(ix) Network Management;

(x) Plus ES Management 1 Pty Limited;

(xi) Plus ES Management 2 Pty Limited; and

(xii) any other person that becomes a "Guarantor" under the Security Trust Deed from time to time,

in each case, for so long as it is a Guarantor under the Security Trust Deed.

Guarantor Security means the Security granted by the Guarantors.

Hedge Counterparty means a hedge counterparty under the Intercreditor Deed, being a person who enters into hedging arrangements with the Issuer and who benefits from the Security.

Holding Entity means each of:

(a) ERIC Alpha Holdings Pty Limited ACN 611 143 367;

(b) Blue Asset HoldCo Pty Limited ACN 615 226 545 in its personal capacity and as trustee of the Blue Asset Hold Trust; and

(c) Blue Op HoldCo Pty Limited ACN 615 227 140 in its personal capacity and as trustee of the Blue Op Hold Trust.

Holding Entity Security means the Security granted by the Holding Entities.

Intercreditor Agent means Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) as agent under the Intercreditor Deed (or any replacement intercreditor agent from time to time).

Intercreditor Deed means the Intercreditor Deed dated 20 October 2016, as amended and restated 28 April 2017 and on 9 August 2017.

Issuer means Ausgrid Finance Pty Limited (ACN 615 343 005).

Issuer Security means the Security granted by the Issuer.

Lessor means Alpha Distribution Ministerial Holding Corporation (ABN 67 505 337 385), the statutory State owned entity which is the Lessor under the Network Lease.

NAP Partners means:

(a) ERIC Alpha Asset Corporation 1 Pty Limited ACN 612 974 044 in its personal capacity and as trustee of the ERIC Alpha Asset Trust 1;

(b) ERIC Alpha Asset Corporation 2 Pty Limited ACN 612 975 023 in its personal capacity and as trustee of the ERIC Alpha Asset Trust 2;

(c) ERIC Alpha Asset Corporation 3 Pty Limited ACN 612 975 032 in its personal capacity and as trustee of the ERIC Alpha Asset Trust 3;

(d) ERIC Alpha Asset Corporation 4 Pty Limited ACN 612 975 078 in its personal capacity and as trustee of the ERIC Alpha Asset Trust 4; and

(e) Blue Asset Partner Pty Limited ACN 615 217 493 in its personal capacity and as trustee of the Blue Asset Partner Trust.

Network Lease means the 99 year lease over the core network infrastructure and certain other assets of the Lessor entitled “Distribution Network Lease” between the Lessor, the Ausgrid Asset Partnership and the NAP Partners in their personal capacity dated 1 December 2017.

Network Management means Ausgrid Management Pty Ltd (ACN 615 449 548), a company registered under the laws of Australia.

Network Tripartite Deed means the tripartite deed dated as of 1 December 2016, among the State, ADMHC, the Ausgrid Asset Partnership and the Ausgrid Operator Partnership.

NOP Partners means:

(a) ERIC Alpha Operator Corporation 1 Pty Limited ACN 612 975 096 in its personal capacity and as trustee of the ERIC Alpha Operator Trust 1;

(b) ERIC Alpha Operator Corporation 2 Pty Limited ACN 612 975 121 in its personal capacity and as trustee of the ERIC Alpha Operator Trust 2;

(c) ERIC Alpha Operator Corporation 3 Pty Limited ACN 612 975 185 in its personal capacity and as trustee of the ERIC Alpha Operator Trust 3;

(d) ERIC Alpha Operator Corporation 4 Pty Limited ACN 612 975 210 in its personal capacity and as trustee of the ERIC Alpha Operator Trust 4; and

(e) Blue Op Partner Pty Limited ACN 615 217 500 in its personal capacity and as trustee of the Blue Op Partner Trust.

Notes means the notes issued by the Issuer under the Programme from time to time.

Noteholders means the holders of the Notes.

NUP Partners means:

(a) ERIC Alpha AUP Corporation 1 Pty Limited ACN 621 524 374 in its personal capacity and as trustee of the ERIC Alpha AUP Trust 1;

(b) ERIC Alpha AUP Corporation 2 Pty Limited ACN 621 524 454 in its personal capacity and as trustee of the ERIC Alpha AUP Trust 2;

(c) ERIC Alpha AUP Corporation 3 Pty Limited ACN 621 524 525 in its personal capacity and as trustee of the ERIC Alpha AUP Trust 3;

(d) ERIC Alpha AUP Corporation 4 Pty Limited ACN 621 524 605 in its personal capacity and as trustee of the ERIC Alpha AUP Trust 4; and

(e) Blue PES Partner Pty Limited ACN 622 175 428 in its personal capacity and as trustee of the Blue PES Partner Trust.

Obligors means the Issuer and the Guarantors.

Plus ES Partnership means the Australian partnership known as the "Plus ES Partnership" (ABN 30 179 420 673).

PPSA means the *Australian Personal Property Securities Act 2009* (Cth).

Programme means the U.S.$3,000,000,000 Secured Euro Medium Term Note Programme established by the Issuer on or about 6 April 2018.

Relevant Entity means each of the Issuer, each Guarantor and each Holding Entity.

Represented Beneficiary Group means a group of Beneficiaries under a Finance Document represented by a Debt Representative.

Secured Money means, at any time, all amounts that are payable, are owing but not payable or otherwise remain unpaid by the Issuer and each other Relevant Entity to a Beneficiary under or in relation to a Finance Document at that time.

Security means each Security under the Security Trust Deed granted by the Relevant Entities in favour of the Security Trustee, including the Issuer Security, the Guarantor Security and the Holding Entity Security.

Security Trustee means ANZ Fiduciary Services Pty Limited (ABN 91 100 709 493) as security trustee under the Security Trust Deed (or any replacement security trustee from time to time).

Security Trust Deed means the Security Trust Deed dated 20 October 2016, as amended on 9 August 2017.

State means the State of New South Wales.

Trust Deed means the trust deed dated 6 April 2018 as amended on 21 October 2022 and on 28 September 2023, among the Issuer, the Guarantors and the Trustee in relation to the Programme.

Trustee means The Bank of New York Mellon, London Branch as trustee of the Notes issued under the Programme.

Unrepresented Beneficiary Group means a group of Beneficiaries under a Finance Document without a Debt Representative.

Other capitalised terms have the meaning given to them in the Security Trust Deed, the Intercreditor Deed or other relevant underlying document.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

Pricing Supplement dated [●]

Ausgrid Finance Pty Limited (ACN 615 343 005)
Legal entity identifier: 549300DN8D7YR73BKB57

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by the Guarantors (as set out below)
under the U.S.$3,000,000,000
Secured Euro Medium Term Note Programme

Part A – Contractual terms

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated 28 September 2023 [and the Supplemental Offering Circular dated [*date*]] ([together,] the "**Offering Circular**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Pricing Supplement and the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [*original date*] [and the Supplemental Offering Circular dated [*date*]] which [are incorporated by reference in the Offering Circular dated 28 September 2023 and] are attached hereto. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular dated 28 September 2023 [and the Supplemental Offering Circular dated [*date*]] ([together,] the "**Offering Circular**"), save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] [and the Supplemental Offering Circular dated [*date*]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplemental and the Offering Circular.

[**MiFID II Product Governance/Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*.] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR Product Governance/Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Regulation (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPS REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (UK) (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[**Notification under Section 309B(1)(C) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore –** In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and are 'Excluded Investment Products' (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.)][1]

[1] To be updated if the Notes are not 'prescribed capital markets products' and 'Excluded Investment Products'

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1	[(i)]	Issuer:	Ausgrid Finance Pty Limited (ACN 615 343 005)
	[[(ii)	Guarantors:	Ausgrid Management Pty Ltd (ACN 615 449 548), the Australian partnership known as the Ausgrid Asset Partnership (ABN 48 622 605 040), the Australian partnership known as the Ausgrid Operator Partnership (ABN 78 508 211 731), the Australian partnership known as the Plus ES Partnership (ABN 30 179 420 673), the Australian partnership known as the Aurora Property Partnership (ABN 13 635 796 526), ERIC Alpha Asset Corporation 1 Pty Ltd (ACN 612 974 044) in its personal capacity and as trustee of the ERIC Alpha Asset Trust 1, ERIC Alpha Asset Corporation 2 Pty Ltd (ACN 612 975 023) in its personal capacity and as trustee of the ERIC Alpha Asset Trust 2, ERIC Alpha Asset Corporation 3 Pty Ltd (ACN 612 975 032) in its personal capacity and as trustee of the ERIC Alpha Asset Trust 3, ERIC Alpha Asset Corporation 4 Pty Ltd (ACN 612 975 078) in its personal capacity and as trustee of the ERIC Alpha Asset Trust 4, Blue Asset Partner Pty Ltd (ACN 615 217 493) in its personal capacity and as trustee of the Blue Asset Partner Trust, ERIC Alpha Operator Corporation 1 Pty Ltd (ACN 612 975 096) in its personal capacity and as trustee of the ERIC Alpha Operator Trust 1, ERIC Alpha Operator Corporation 2 Pty Ltd (ACN 612 975 121) in its personal capacity and as trustee of the ERIC Alpha Operator Trust 2, ERIC Alpha Operator Corporation 3 Pty Ltd (ACN 612 975 185) in its personal capacity and as trustee of the ERIC Alpha Operator Trust 3, ERIC Alpha Operator Corporation 4 Pty Ltd (ACN 612 975 210) in its personal capacity and as trustee of the ERIC Alpha Operator Trust 4, Blue Op Partner Pty Ltd (ACN 615 217 500) in its personal capacity and as trustee of the Blue Op Partner Trust, ERIC Alpha AUP Corporation 1 Pty Ltd (ACN 621 524 374) in its personal capacity and as trustee of the ERIC Alpha AUP Trust 1, ERIC Alpha AUP Corporation 2 Pty Ltd (ACN 621 524 454) in its personal capacity and as trustee of the ERIC Alpha AUP Trust 2, ERIC Alpha AUP Corporation 3 Pty Ltd (ACN 621 524 525) in its personal capacity and as trustee of the ERIC Alpha AUP Trust 3, ERIC Alpha AUP Corporation 4 Pty Ltd (ACN 621 524 605) in its personal capacity and as trustee of the ERIC Alpha AUP Trust 4, Blue PES Partner Pty Ltd (ACN 622 175 428) in its personal capacity and as trustee of the Blue PES Partner Trust, ERIC Alpha APP Corporation 1 Pty Ltd (ACN 664 207 907) in its personal capacity and as trustee of the ERIC Alpha APP Trust 1, ERIC Alpha APP Corporation 2 Pty Ltd (ACN 664 208 066) in its personal capacity and as trustee of the ERIC Alpha APP Trust 2, ERIC Alpha APP Corporation 3 Pty Ltd (ACN 664 208 315) in its personal capacity and as trustee of the ERIC Alpha APP Trust 3, ERIC Alpha APP Corporation 4 Pty Ltd (ACN 664 208 404) in its personal capacity and as trustee of the ERIC Alpha APP Trust 4, Blue Aurora Partner Pty Ltd (ACN 664 591 388) in its personal capacity and as trustee of the Blue Aurora Partner Trust, Plus ES Management 1 Pty Ltd (ACN 622 269 907) and Plus ES Management 2 Pty Ltd (ACN 622 269 934)

2	[(i)]	Series Number:	[●]
	[(ii)	Tranche Number:	[●]
	[(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below [which is expected to occur on or about [insert date]]].]
3	Specified Currency or Currencies:		[●]
4	Aggregate Nominal Amount:		[●]
	[(i)]	Series:	[●]
	[(ii)	Tranche:	[●]
5	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6	(i)	Specified Denominations:	[●][2] [3]
	(ii)	Calculation Amount:[4]	[●]

[2] Section 6: Add the following language if the programme allows for issues of securities with a maturity of less than one year and the issuer is not an authorised person permitted to accept deposits or an exempt person under the UK Financial Services and Markets Act 2000. Delete square-bracketed text for issuers incorporated in the UK or within section 418 FSMA. The issue of securities with a maturity of less than one year by such issuers, where the issue proceeds are to be accepted in the United Kingdom, or, in the case of issuers incorporated in the UK or within section 418 FSMA in any country, will be subject to section 19 FSMA unless their denomination is £100,000 or more (or its equivalent in other currencies) and they are only issued to "professionals" within Article 9(2)(a) of the Financial Services and Markets Act (Regulated Activities) Order 2001:

"Notes [(including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 FSMA and] which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies)."

Add appropriate provisions to terms and conditions if included.

[3] If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording below which follows the Guidance Note published by ICMA in November 2006 (or its replacement from time to time).

"€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No notes in definitive form will be issued with a denomination above [€199,000]."

[4] The applicable Calculation Amount (which is used for the calculation of interest and redemption amounts) will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the circumstances referred to in Note 6 above apply (e.g. Specified Denominations of €100,000 and multiples of €1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations). If "Calculation Amount" is to be used in the Pricing Supplement, corresponding references to the Calculation Amount for interest, put and call options and redemption amount calculation purposes should be included in the terms and conditions set out in the base offering circular. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for paying agents and/or ICSDs who should be consulted if such an amount is proposed.

7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable][5]
	(iii)	Trade Date:	[●]
8	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9	Interest Basis:		[●] [per cent. Fixed Rate [[*specify reference rate*] +/-[●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (specify)]
11	Change of Interest or Redemption/Payment Basis:		[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*] [Not Applicable]
12	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13	[(i)]	Status of the Notes:	[Senior, Secured]
	[(ii)]	Status of the Guarantee:	[Senior, Secured]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]

[5] An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.

	(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)/specify other]
	(vi)	[Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
	(vii)	[Ratings Step-up/ Step-down:	[Applicable/Not Applicable]
		[Step-up/Step-down Margin:	[●] per cent. per annum]]
	(viii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
15	Floating Rate Note Provisions		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[●] [[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]]]
	(iii)	Interest Period Date:	[Not Applicable]/[●][in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
	(iv)	First Interest Payment Date:	[●]
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other (give details)] [Not Applicable]
	(vi)	Business Centre(s):	[●]
	(vii)	Manner in which the Rate(s) of Interest is/ are to be determined:	[Screen Rate Determination/ISDA Determination/other (give details)]

(viii)	Calculation Agent/ Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent/ Calculation Agent]):		
(ix)	Screen Rate Determination:		
	–	Reference Rate:	[●]
	–	Interest Determination Date(s)[6]:	[●]
	–	Relevant Screen Page:	[●]
	–	[Observation Method:]	[●]
(x)	ISDA Determination:		
	–	Floating Rate Option:	[●]
	–	Designated Maturity:	[●]
	–	Reset Date:	[●]
	–	ISDA Definitions	[2006/2021]
(xi)	[Linear Interpolation:		Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
(xii)	Margin(s):		[+/-][●] per cent. per annum
(xiii)	Minimum Rate of Interest:		[●] per cent. per annum
(xiv)	Maximum Rate of Interest:		[●] per cent. per annum
(xv)	Day Count Fraction:		[●]
(xvi)	[Ratings Step-up/ Step-down:		[Applicable/Not Applicable]
	[Step-up/Step-down Margin:		[●] per cent. per annum]]

[6] The Interest Determination Date(s) should fall at least 5 Business Days prior to the Interest Payment Date unless otherwise agreed with the Calculation Agent.

(xvii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Condition 5(m) (*Benchmark Discontinuation (General)*) shall apply/Condition 5(l) (*Benchmark Discontinuation (SOFR)*) shall apply/*specify other if different from those set out in the Conditions*]
(xviii)	Where the Reference Rate is SOFR:	[Applicable/Not Applicable]
	– SOFR Benchmark	[Compounded Daily SOFR/Compounded SOFR Index]
	– SOFR Rate of Interest Determination	[SOFR Observation Lag/SOFR Observation Shift/SOFR Lockout/SOFR Payment Delay/SOFR Arithmetic Mean]
	– SOFR [Lookback Days]/[Observation Shift Days]	[Not Applicable/[●] U.S. Government Securities Business Day(s)]
	– SOFR Rate Cut-off Date	[Not Applicable/The day that is [●] U.S. Government Securities Business Day(s) prior to the end of each Interest Accrual Period, the Maturity Date or the relevant Optional Redemptions Date, as applicable]
	– SOFR $\text{Index}_{\text{START}}$	[Not Applicable/[●] U.S. Government Securities Business Day(s)]
	– SOFR $\text{Index}_{\text{END}}$	[Not Applicable/[●] U.S. Government Securities Business Day(s)]
	– Benchmark Discontinuation (SOFR)	[Applicable/Not Applicable]
(xix)	Where the Reference Rate is SONIA:	[Applicable/Not Applicable]
	– SONIA Benchmark	[Compounded Daily SONIA/SONIA Index]
	– SONIA Observation Method	[Not Applicable/SONIA Observation Lag/SONIA Observation Shift/SONIA Lockout]
	– "x"	[●]

	(xx)	Where the Reference Rate is €STR:	[Applicable/Not Applicable]
		– €STR Observation Method	[Observation Lookback/Observation Shift]
		– Observation Period	[●] TARGET Business Days]/[Not Applicable]
	(xxi)	Where the Reference Rate is TONA:	[Applicable/Not Applicable]
		– Observation Lookback Period	[●]
	(xxii)	Where the Reference Rate is SARON:	[Applicable/Not Applicable]
		– Observation Lookback Period	[●]
16	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Amortisation Yield:	[●] per cent. per annum
	(ii)	[Day Count Fraction in relation to Early Redemption Amounts:	[[30/360][Actual/360][Actual/365]][specify other]][7]
	(iii)	Any other formula/ basis of determining amount payable:	[●]
		Index-Linked Interest Note/other variable-linked interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
17	(i)	Index/Formula/other variable:	*[give or annex details]*
	(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
	(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]

[7] Consider applicable day count fraction if not U.S. dollar denominated.

	(iv)	Determination Date(s):	[●]
	(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	Interest or calculation period(s):	[●]
	(vii)	Specified Interest Payment Dates:	[●]
	(viii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other *(give details*)]
	(ix)	Business Centre(s):	[●]
	(x)	Minimum Rate/Amount of Interest:	[●] [per cent.] per annum
	(xi)	Maximum Rate/ Amount of Interest:	[●] [per cent.] per annum
	(xii)	Day Count Fraction:	[●]
18	Dual Currency Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/ method of calculating Rate of Exchange:	[*give details*]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

19	Call Option		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period[8]	[●] days
20	Put Option		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount/specify other/see Appendix
	(iii)	Notice period:	[●] days
21	[Change of Control Triggering Event		[Applicable (see Appendix)/Not Applicable]]
	[(i)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount]
	[(ii)	Put Period:	[●]]
	[(iii)	Put Date:	[●]]

[8] Conditions may set the notice period or state that it is to be specified in the Pricing Supplement. Where the notice period is to be specified in the Pricing Supplement, or the Issuer is using the Pricing Supplement to set notice periods which are different to those provided in the Conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer or any trustee.

22	Final Redemption Amount of each Note		[●] per Calculation Amount
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:		
	(i)	Index/Formula/ variable:	*[give or annex details]*
	(ii)	Party responsible for calculating the Final Redemption Amount (if not the [Agent]):	[●]
	(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv)	Determination Date(s):	[●]
	(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	Payment Date:	
	(vii)	Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii)	Maximum Final Redemption Amount:	[●] per Calculation Amount
23	Early Redemption Amount		
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):		[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][9] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] **Registered Notes:** [Global Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream]]
25	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(v) and 17(ix) relate*]
26	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
27	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
28	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
29	Other terms or special conditions:	[Not Applicable/*give details*]

[9] The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denominations of the Notes in paragraph 6 includes language that reflects the circumstances referred to in Note 6 above (for example Specified Denominations of €100,000 and multiples of €1,000).

RESPONSIBILITY

The Issuer and the Guarantors accept responsibility for the information contained in this Pricing Supplement.

[**LISTING APPLICATION**

This Pricing Supplement comprises the pricing supplement required for issue and admission to trading on [the Singapore Exchange Securities Trading Limited] [or specify other exchange] of the Notes described herein pursuant to the U.S.$3,000,000,000 Secured Euro Medium Term Note Programme for Issuance of Secured Notes of Ausgrid Finance Pty Limited.]

Signed on behalf of Ausgrid Finance Pty Limited:

By: _____

Duly authorised

PART B – OTHER INFORMATION

1 LISTING

[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on Singapore Exchange Securities Trading Limited with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on Singapore Exchange Securities Trading Limited with effect from [●].] [Not Applicable.]

(*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)

2 [RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[[Fitch: [●]]

[[Other]: [●]]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)]

[*Credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act 2001 (Cth) and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive the relevant document and anyone who receives the relevant document must not distribute it to any person who is not entitled to receive it.*]

3 OPERATIONAL INFORMATION

(i)	ISIN:	[●]
(ii)	Common Code:	[●]
(iii)	Classification of Financial Instruments Code (CFI):	[●]/[Not Applicable]
(iv)	Financial Instrument Short Name (FISN):	[●]/[Not Applicable]

(v)	Any clearing system(s) other than Euroclear Bank S.A./ N.V. and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[●]

4 DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/give names]
(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/give names]
(iv)	If non-syndicated, name of Dealer:	[Not Applicable/give name]
(v)	US Selling Restrictions:	Reg. S Compliance Category 2; [TEFRA C/TEFRA D/TEFRA not applicable]
(vi)	Additional selling restrictions:	[Not Applicable/*give details*]

5 HONG KONG SECURITIES AND FUTURES COMMISSION CODE OF CONDUCT

(i)	Rebates	[A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]

(ii)	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – Offering Circulars to provide*]/[*Not Applicable*]
(iii)	Marketing and Investor Targeting Strategy:	[*If different from the Offering Circular*]

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase Notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state or local taxes, under the tax laws of Australia and each country of which they are residents or countries of purchase, holding or disposition of the Notes.

Additionally, in view of the number of different jurisdictions where local laws may apply, this Offering Circular does not discuss the local tax consequences to a potential holder, purchaser or seller arising from the acquisitions, holding or disposition of the Notes. Prospective investors must, therefore, inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposition of the Notes at their place of residence and in the countries of which they are citizens or countries of purchase, holding or disposition of the Notes.

Australia

The following is a summary of the Australian withholding tax treatment at the date of this Offering Circular of payments of interest (as defined in the Income Tax Assessment Act 1936 of Australia (together with the Income Tax Assessment Act 1997 of Australia, the Australian Tax Act)) on the Notes and certain other matters. It is not exhaustive, and in particular, does not deal with the position of certain classes of Noteholders (such as dealers in securities). Nor does it deal with Index Linked Redemption Notes, Dual Currency Redemption Notes or Partly Paid Notes – if such Notes are issued, their Australian taxation treatment will be summarised in the relevant Pricing Supplement or other supplement to this Offering Circular. Prospective Noteholders should be aware that particular terms of issue of any Series of Notes may affect the tax treatment of that and other Series of Notes.

The tax consequences of holding and otherwise dealing with the Notes can vary depending upon the individual circumstances of a Noteholder. This general summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Noteholder or relied upon as such. Each Noteholder, and particularly those Noteholders not covered by this summary as noted above, should obtain independent professional taxation advice relating to their holding of the Notes in their particular circumstances.

Introduction

The Australian Tax Act characterises securities as either "debt interests" (for all entities) or "equity interests" (for companies), including for the purposes of Australian interest withholding tax imposed under Division 11A of Part III of the Australian Tax Act ("**IWT**") and dividend withholding tax. The Issuer intends to issue Notes which are to be characterised as both "debt interests", for the purposes of the tests contained in Division 974 of the Australian Tax Act, and "debentures".

In the case of "debt interests" such as the Notes, IWT is payable at a rate of 10 per cent. of the gross amount of interest paid on the Notes to a non-Australian resident (other than a non-Australian resident who derives the interest income in carrying on business at or through a permanent establishment in Australia) or an Australian resident who derives the interest income in carrying on business at or through a permanent establishment outside Australia, unless an exemption is available. For IWT purposes, "interest" is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts.

An exemption from IWT is available in respect of interest paid on the Notes if (i) the requirements of section 128F of the Australian Tax Act are satisfied, or (ii) the requirements of an applicable double tax convention are satisfied. The Issuer intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Exemption under section 128F of the Australian Tax Act

An exemption from Australian IWT is available under section 128F of the Australian Tax Act in respect of the payment of interest on the Notes if the following conditions are met:

(a) the Issuer is a resident of Australia when it issues the Notes and when interest (as defined in section 128A(1AB) of the Australian Tax Act, including original issue discount) is paid;

(b) the Notes are issued as a result of an offer made in a manner which satisfies the "public offer test". There are five principal methods of satisfying the public offer test the purpose of which is to ensure that lenders in debt capital markets are aware that the Issuer is offering Notes for issue. Only one of the methods needs to be satisfied. In summary, the five principal methods are:

    a. offers to 10 or more unrelated financiers or securities dealers;

    b. offers to 100 or more investors;

    c. offers of listed Notes;

    d. offers via publicly available information sources; and

    e. offers to the Dealers who offer to sell the Notes within 30 days by one of the preceding methods.

    In addition, the issue of a Note in global form and the offering of interests in a Note by one of these methods should satisfy the public offer test, if such Note falls within the definition of a "global bond" set out in section 128F(10) of the Australian Tax Act;

(c) the Issuer does not know, or have reasonable grounds to suspect, at the time of issue, that the Notes (or interests in them) were being, or would later be, acquired, directly or indirectly, by an offshore associate of the Issuer (other than in the capacity of a dealer, manager or underwriter in relation to the placement of the relevant Notes or a clearing house, custodian, funds manager or responsible entity of a registered scheme); and

(d) at the time of the payment of interest, the Issuer does not know, or have reasonable grounds to suspect, that the payee is an offshore associate of the Issuer (other than in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme).

An "associate" of the Issuer for the purposes of section 128F of the Australian Tax Act includes (i) a person or entity which holds more than 50 per cent. of the voting shares in, or otherwise controls, the Issuer, (ii) any entity in which more than 50 per cent. of the voting shares are held by, or which is otherwise controlled by, the Issuer, (iii) a trustee of a trust where the Issuer is capable of benefiting (whether directly or indirectly) under that trust, and (iv) a person or entity who is an "associate" of another person or company which is an "associate" of the Issuer under (i) above.

An "offshore associate" of the Issuer is an associate of the Issuer that is either (x) a non-Australian resident that does not acquire the Notes in carrying on a business at or through a permanent establishment in Australia, or (y) an Australian resident that acquires the Notes in carrying on a business at or through a permanent establishment outside Australia.

Unless otherwise specified in the relevant Pricing Supplement or other supplement to this Offering Circular, the Issuer proposes to issue Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Exemptions under double tax conventions

The Australian government has concluded double tax conventions ("**Specified Tax Treaties**") with a number of countries (each a "**Specified Country**") that contain certain exemptions from IWT. The Specified Tax Treaties apply to interest derived by a resident of a Specified Country.

In broad terms, the Specified Tax Treaties effectively prevent IWT being imposed on interest derived by:

- the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; or

- a "financial institution" which is a resident of a Specified Country, which is entitled to the benefits of the applicable Specified Tax Treaty and which is unrelated to and deals wholly independently with the Issuer. The term "financial institution" refers to either a bank or any other form of enterprise which substantially derives its profits by carrying on a business of raising and providing finance. (However, interest under a back-to-back loan or an economically equivalent arrangement will not qualify for this exemption.)

Notes in bearer form

Section 126 of the Australian Tax Act imposes a type of withholding tax on the payment of interest on debentures (such as the Notes) which are in bearer form if the Issuer fails to disclose the names and addresses of the holders to the Australian Taxation Office (ATO) in certain circumstances. A withholding rate of 45 per cent applies under current law. Section 126 does not apply to the payment of interest on Notes in bearer form held by non-Australian resident Noteholders who are not engaged in carrying on business in Australia at or through a permanent establishment in Australia where the issue of those Notes has satisfied the requirements of section 128F of the Australian Tax Act or IWT is payable. In addition, the ATO has confirmed that for the purposes of section 126 of the Australian Tax Act, the holder of debentures in bearer form (such as the Notes) means the person in possession of the debentures. Section 126 is therefore limited in its application to persons in possession of Notes in bearer form who are residents of Australia or non-Australian residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia.

Payment of additional amounts

As set out in more detail in the Terms and Conditions of the Notes, and unless expressly provided to the contrary in the relevant Pricing Supplement or other supplement to this Offering Circular, if the Issuer should at any time be compelled or authorised by law to deduct or withhold an amount in respect of any withholding taxes imposed or levied by the Commonwealth of Australia in respect of the Notes the Issuer shall, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the Noteholders after such deduction or withholding shall equal the respective amounts which would have been receivable had no such deduction or withholding been required. In the event that the Issuer or a Guarantor is compelled by law in relation to any Notes to deduct or withhold an amount in respect of any withholding taxes as a result of a change in law and would be required to pay additional amounts in respect of such taxes, the Issuer will have the option to redeem such Notes in accordance with the Terms and Conditions.

Payments under the Guarantee and Existing Guarantee

In the event of default by the Issuer, the Guarantors may be required to make certain payments under the Guarantee and/or the Existing Guarantee.

It is unclear whether payments by an Australian resident Guarantor under a guarantee constitute payments of interest so defined for IWT purposes. There are good arguments that such payments are not payments of interest or amounts in the nature of interest and, if so, no IWT should be payable in respect of such payments. However, if any payment by a Guarantor made on behalf of the Issuer is properly characterised as being in the nature of interest, non-Australian resident Noteholders may be taxed by assessment on those amounts, unless an exemption (such as under section 128F of the Australian Tax Act) applies.

The ATO has published a Taxation Determination stating that payments by a guarantor in lieu of interest payments on debentures are entitled to the section 128F exemption if payments of interest in respect of those debentures by the issuer are exempt from Australian IWT. However, there is some doubt as to whether the reasoning adopted in the Taxation Determination is strictly correct.

It is noted that interest paid on an overdue amount relating to a Guarantor's own obligations is likely to be interest on which IWT prima facie applies. Section 128F may not apply to such payments, however it is possible another exemption could apply.

Other Australian tax matters

The Issuer notes that under Australian laws as presently in effect:

(a) assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, payments of principal and interest in respect of the Notes to a Noteholder, who is a non-resident of Australia and who, during the taxable year, has not held the Notes, or derived any payments under the Notes in carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes;

(b) a Noteholder, who is a non-resident of Australia and who has never held the Notes, or derived any payments under the Notes in carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax on gains realised during that year on sale or redemption of the Notes, provided such gains do not have an Australian source. A gain arising on the sale of the Notes by a non-Australian resident Noteholder to another non-Australian resident where the Note is sold outside Australia and all negotiations are conducted and documentation executed outside Australia would not generally be regarded as having an Australian source;

(c) no Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;

(d) no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue, transfer or redemption of any Notes;

(e) neither the issue nor receipt of the Notes will give rise to a liability for Goods and Services Tax ("**GST**") in Australia on the basis that the supply of the Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber that is a non-resident) a GST-free supply. Furthermore, neither the payment of principal or interest by the Issuer, nor the disposal or redemption of the Notes, would give rise to any GST liability in Australia;

(f) section 12-140 of Schedule 1 of the Taxation Administration Act 1953 of Australia ("**TAA**") imposes a type of withholding tax on the payment of interest on certain securities unless the relevant investor has quoted an Australian tax file number ("**TFN**"), in certain circumstances an Australia Business Number ("**ABN**") or proof of some other exception (as appropriate). A withholding rate of 47 per cent currently applies.

Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, these rules should not apply to payments to a Noteholder who is not a resident of Australia for tax purposes and not holding the Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of Noteholders may be subject to withholding where the Noteholder does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);

(g) payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed under section 12-190 of Schedule 1 to the TAA;

(h) the Governor-General of Australia may make regulations requiring withholding from certain payments to non-residents of Australia (other than payments of interest and other amounts which are already subject to the current IWT rules or specifically exempt from those rules). Regulations may only be made if the responsible Minister is satisfied the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The possible application of any future regulations to the proceeds of any sale of the Notes will need to be monitored;

(i) the Australian Commissioner of Taxation may give a direction requiring the Issuer or a Guarantor to pay out of any payment to a Noteholder any amount in respect of Australian tax payable by the Noteholder. If the Issuer is served with such a direction then it will comply with that direction and will make any payment required by that direction; and

(j) the Australian Tax Act contains tax-timing and characterisation rules for certain taxpayers to bring to account gains and losses from "financial arrangements". The Notes would be regarded as a "financial arrangement" for the purposes of these rules.

However, the rules do not apply to certain taxpayers. They should not, for example, generally apply to Noteholders who are individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to all of their financial arrangements.

The rules also do not affect the provisions relating to the imposition of IWT. In particular, the rules do not apply in a manner which overrides the exemption available under section 128F of the Australian Tax Act.

U.S. Foreign Account Tax Compliance Act and OECD Common Reporting Standard

FATCA

Under sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"), a 30% withholding ("**FATCA withholding**") may be required if (i)(A) an investor does not provide information sufficient for the Issuer or any other non-U.S. financial institution ("**FFI**") through which payments on the Notes are made to determine the Noteholder's status under FATCA, or (B) an FFI to or through which payments on the Notes are made is a "non-participating FFI"; and (ii) the Notes are treated as debt for U.S. federal income tax purposes and the payment is made in respect of Notes issued or modified after the date that is six months after the date on which final regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register, or the Notes are treated as equity for U.S. federal income tax purposes or do not have a fixed term, whenever issued.

FATCA withholding is not expected to apply on payments made before the date that is two years after the date on which final regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register.

Reporting Australian Financial Institutions ("**RAFIs**") under the Australia-U.S. FATCA Intergovernmental Agreement dated 28 April 2014 ("**Australian IGA**") must comply with specific due diligence procedures. In general, these procedures seek to identify account holders and provide the Australian Taxation Office ("**ATO**") with information on financial accounts held by U.S. persons and recalcitrant account holders. The ATO is required to provide such information to the U.S. Internal Revenue Service. Consequently, Noteholders may be requested to provide certain information and certifications to the Issuer and to any other financial institutions through which payments on the Notes are made. A RAFI that complies with its obligations under the Australian IGA will not be subject to FATCA withholding on amounts it receives, and will not be required to deduct FATCA withholding from payments it makes, other than in certain prescribed circumstances.

In the event that any amount is required to be withheld or deducted from a payment on the Notes as a result of FATCA, pursuant to the terms and conditions of the Notes, no additional amounts will be paid to the relevant Noteholder as a result of the deduction or withholding.

FATCA is particularly complex. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

Common Reporting Standard

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ("**CRS**") requires certain financial institutions to report information regarding certain accounts (which may include the Notes) to their local tax authority and follow related due diligence procedures. Noteholders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed a CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 28 September 2023 (such dealer agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") between the Issuer, the Guarantors, and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes and the Guarantee of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer and the Guarantors, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the lead manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee, an offer or sale of Notes or Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression **"retail investor"** means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression **"offer"** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression **"retail investor"** means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Programme or any Notes has been, or will be, lodged with the Australian Securities and Investments Commission ("**ASIC**"), the ASX Limited or the financial market operated by it ("**ASX**"), or any other regulatory authority in Australia. Each Dealer represents and agrees that unless the relevant Pricing Supplement (or a relevant supplement to the Offering Circular) otherwise provides, it:

(a) has not made or invited (either directly or indirectly), and will not make or invite, an offer of the Notes for issue, subscription, sale or purchase in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, the Offering Circular, any prospectus, offering document or other offering material or advertisement relating to any Notes in Australia or received in Australia,

Unless in either case (a) or (b):

(i) the minimum aggregate consideration payable on acceptance of the offer or invitation by each offeree or invitee in Australia (including any person who receives an offer or invitation or offering materials in Australia) is at least A$500,000 (or its equivalent in an alternative currency, and in either case, disregarding moneys lent by the offeror or its associates (within the meaning of that expression in Part 6D.2 of the Corporations Act 2001 of Australia)) or the offer or invitation does not otherwise require disclosure to investors in accordance with Part 6D.2 or 7.9 of the Corporations Act, and in each case, is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;

(ii) the offer, invitation or distribution complies with the conditions of the Australian financial services license of the person making the offer, invitation or distribution or an applicable exemption from the requirement to hold such license;

(iii) the offer, invitation or distribution complies with all applicable Australian laws, regulations and directives relating to the offer, sale and resale of the Notes in the jurisdiction in which such offer, sale and resale occurs; and

(iv) such action does not require any document to be lodged or registered with ASIC or the ASX or any other regulatory authority in Australia.

For the purposes of this selling restriction, the Notes include interests or rights in the Notes held in Euroclear or Clearstream or any other clearing system.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the "**SFO**")) other than:

    (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or

    (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued, or had in its possession for the purpose of issue, and will not issue, or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than:

(i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA;

(ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under Section 309B(1)(C) of the SFA – In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified in the relevant Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that all Notes issued or to be issued under the Programme shall be 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

Canada

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold, and will not offer or sell in Canada, or to any resident of Canada, by means of any document, any Notes other than to purchasers purchasing, or deemed to be purchasing, as principal that are both accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

General

Each Dealer understands that no action has been taken in any jurisdiction that would permit a public offering of the Notes or possession or distribution of the Offering Circular or any other document, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular, any other offering material or any Pricing Supplement and shall obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantors, the Trustee, the Agents nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantors, the Trustee, the Agents, the Arranger and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement, subscription agreement, dealer accession letter or dealer confirmation, as relevant, in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement, subscription agreement, dealer accession letter or dealer confirmation, as relevant.

Important Notice To CMIs (Including Private Banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks. Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealers in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the relevant Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the relevant Guarantor or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified in the applicable Pricing Supplement, the marketing and investor targeting strategy for the relevant CMI Offering may include institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement. CMIs should ensure that orders placed are

bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the relevant Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate. In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any "Associations" (as used in the SFC Code);
- whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By

submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the relevant Guarantor, the relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the Board of Directors of the Issuer dated 13 March 2018. The establishment of the Programme and the guarantee of Notes issued thereunder have been duly authorised by resolutions of the Board of Directors of each of the Initial Guarantors at the time such entity became a Guarantor, and will be authorised by each Additional Guarantors at the time such entity becomes a Guarantor.

Listing

Application has been made to the SGX-ST for permission to deal in and for the quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permissions will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. There is no assurance that the application to the SGX-ST for the listing of the Notes will be approved. Any admission of any Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantors, the Programme or the Notes.

Unlisted Notes may be issued under the Programme. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series of Notes. The Pricing Supplement relating to each Series of Notes will state whether or not the Notes of such Series will be initially listed on any stock exchange(s) and, if so, on which stock exchange(s) the Notes are to be initially listed.

Clearing Systems

Details of the Clearing System(s) which have accepted each Tranche of Notes for clearance (or in which Notes will be lodged for clearance), and the ISIN and (if applicable) Common Code for the Tranche of Notes allocated by the relevant Clearing System(s) will be specified in the applicable Pricing Supplement.

Legal Entity Identifier

The Issuer's legal entity identifier is 549300DN8D7YR73BKB57.

No significant or material change

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2023 and there has been no material adverse change in the financial or trading position or prospects of the Issuer or the Group since 30 June 2023.

Litigation

Neither of the Issuer nor the Guarantors is involved in any material legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer and the Guarantors are aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer and the Guarantors.

Independent Auditors

The consolidated financial statements of the Group as of and for each of the three years ended 30 June 2021, 30 June 2022 and 30 June 2023 included in this Offering Circular have been audited by PricewaterhouseCoopers ("**PwC**"), independent auditors, in accordance with Australian Auditing Standards, as stated in their reports appearing herein.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available to the Noteholders from the registered office of the Issuer and between 9:00 a.m. and 3:00 p.m. (London time), Monday to Friday, excluding public holidays, from the specified office of the Issuing and Paying Agent or be available electronically via email form the Trustee, upon written request and satisfactory proof of holding:

(a) the constitutional documents of the Issuer and the Guarantors;

(b) the most recently published audited consolidated annual financial statements of the Guarantors together with any audit or review reports prepared in connection therewith (where relevant);

(c) the Trust Deed, the Agency Agreement, and the forms of the Notes;

(d) the Security Documents;

(e) a copy of this Offering Circular; and

(f) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplement (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer, the Guarantors and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

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Ausgrid Group

Annual report
30 June 2023

Ausgrid Group

Annual report
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Ausgrid Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Notes	**2023 $M**	2022 $M
Revenue	3	**2,381**	2,397
Distribution of energy costs	4(a)	**(442)**	(436)
Depreciation and amortisation expense	4(c)	**(633)**	(641)
Finance costs	4(d)	**(444)**	(443)
Employee benefits expense	4(b)	**(283)**	(251)
Other expenses	4(b)	**(263)**	(238)
Other income		**-**	45
(Loss)/gain on disposal of property, plant and equipment		**(20)**	247
Profit before income tax		**296**	680
Income tax expense		**-**	-
Profit for the year		**296**	680
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges		**(4)**	1,122
Reclassification to profit or loss		**4**	243
Income tax relating to these items	5	**-**	(407)
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation actuarial gains	18(c)	**6**	-
Income tax relating to these items	5	**(2)**	-
Other comprehensive income for the year		**4**	958
Total comprehensive income for the year		**300**	1,638
Profit for the year attributable to Partners:			
Ausgrid Operator Partnership (**AOP**)		**70**	156
Ausgrid Asset Partnership (**AAP**)		**181**	488
PLUS ES Partnership (**PLUS ES**)		**45**	36
Aurora Property Partnership (**APP**)		**-**	-
Profit for the year		**296**	680
Total comprehensive income for the year attributable to Partners:			
AOP		**74**	156
AAP		**182**	1,438
PLUS ES		**44**	44
APP		**-**	-
Total comprehensive income for the year		**300**	1,638

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of financial position
As at 30 June 2023

	Notes	2023 $M	2022 $M
Current assets			
Cash and cash equivalents		**248**	432
Trade and other receivables	7	**105**	281
Contract assets	7	**280**	290
Prepayments		**33**	32
Inventories		**34**	22
Assets classified as held for sale	8	**1**	5
Derivative financial assets	15	**3**	68
Total current assets		**704**	1,130
Non-current assets			
Property, plant and equipment	9	**17,426**	17,013
Intangible assets	10	**3,523**	3,529
Derivative financial assets	15	**1,003**	1,019
Other receivables	7	**3**	2
Defined benefit plan asset	18	**9**	1
Total non-current assets		**21,964**	21,564
Total assets		**22,668**	22,694
Current liabilities			
Trade and other payables	11	**327**	338
Contract liabilities	14	**9**	10
Borrowings	12	**1,822**	727
Provisions	13	**296**	301
Deferred government grants		**2**	2
Other liabilities	14	**3**	6
Total current liabilities		**2,459**	1,384
Non-current liabilities			
Contract liabilities	14	**78**	67
Borrowings	12	**9,791**	11,051
Derivative financial liabilities	15	**332**	372
Provisions	13	**60**	64
Deferred government grants		**35**	36
Deferred tax liabilities	6	**236**	234
Total non-current liabilities		**10,532**	11,824
Total liabilities		**12,991**	13,208
Net assets		**9,677**	9,486

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Notes	2023 $M	2022 $M
Equity attributable to Partners of AOP			
Contributed equity	16	**1,651**	1,716
Reserves		**27**	23
Retained earnings	17	**132**	62
Total equity attributable to Partners of AOP		**1,810**	1,801
Equity attributable to Partners of AAP			
Contributed equity	16	**7,021**	7,021
Reserves		**524**	523
Retained earnings	17	**17**	(64)
Total equity attributable to Partners of AAP		**7,562**	7,480
Equity attributable to Partners of PLUS ES			
Contributed equity	16	**183**	183
Reserves		**7**	8
Retained earnings	17	**59**	14
Total equity attributable to Partners of PLUS ES		**249**	205
Equity attributable to Partners of APP			
Contributed equity	16	**56**	-
Reserves		**-**	-
Retained earnings	17	**-**	-
Total equity attributable to Partners of APP		**56**	-
Total equity attributable to Partners of the Ausgrid Group		**9,677**	9,486

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of changes in equity
For the year ended 30 June 2023

	Contributed equity $M	Cash flow hedge reserve $M	Defined benefit superannuation reserve $M	Retained earnings $M	Total $M
Balance at 1 July 2022	**8,920**	**531**	**23**	**12**	**9,486**
Profit for the year	**-**	**-**	**-**	**296**	**296**
Other comprehensive income					
Defined benefit superannuation actuarial gains - AOP	**-**	**-**	**4**	**-**	**4**
Total comprehensive income for the year	**-**	**-**	**4**	**296**	**300**
Transactions recorded directly in equity:					
Capital return to Partners	**(74)**	**-**	**-**	**-**	**(74)**
Equity injection from Partners	**65**	**-**	**-**	**-**	**65**
Distributions paid	**-**	**-**	**-**	**(100)**	**(100)**
Total transactions	**(9)**	**-**	**-**	**(100)**	**(109)**
Balance at 30 June 2023	**8,911**	**531**	**27**	**208**	**9,677**
Closing balance of equity attributable to					
AOP	**1,651**	**-**	**27**	**132**	**1,810**
AAP	**7,021**	**524**	**-**	**17**	**7,562**
PLUS ES	**183**	**7**	**-**	**59**	**249**
APP	**56**	**-**	**-**	**-**	**56**
Balance at 30 June 2023	**8,911**	**531**	**27**	**208**	**9,677**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of changes in equity
For the year ended 30 June 2023
(continued)

	Contributed equity $M	Cash flow hedge reserve $M	Defined benefit superannuation reserve $M	Retained earnings $M	Total $M
Balance at 1 July 2021	8,920	(427)	23	(668)	7,848
Profit for the year	-	-	-	680	680
Other comprehensive income					
Changes in cash flow hedges - AAP and PLUS ES	-	958	-	-	958
Total comprehensive income for the year	-	958	-	680	1,638
Balance at 30 June 2022	8,920	531	23	12	9,486
Closing balance of equity attributable to					
AOP	1,716	-	23	62	1,801
AAP	7,021	523	-	(64)	7,480
PLUS ES	183	8	-	14	205
Balance at 30 June 2022	8,920	531	23	12	9,486

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of cash flows
For the year ended 30 June 2023

	Notes	**2023 $M**	2022 $M
Cash flows from operating activities			
Receipts from customers		**2,227**	2,270
Payments to suppliers and employees		**(1,005)**	(880)
Interest received		**7**	1
Interest paid		**(426)**	(423)
Net cash inflow from operating activities	25	**803**	968
Cash flows from investing activities			
Payments for property, plant and equipment		**(821)**	(600)
Payments for intangible assets		**(80)**	(44)
Proceeds from sale of property, plant and equipment		**201**	194
Net cash outflow from investing activities		**(700)**	(450)
Cash flows from financing activities			
Proceeds from borrowings		**1,983**	845
Repayment of borrowings		**(2,151)**	(1,173)
Transaction costs paid		**(10)**	(7)
Distributions		**(100)**	-
Capital return to Partners		**(74)**	-
Equity injection from Partners		**65**	-
Net cash outflow from financing activities		**(287)**	(335)
Net (decrease)/increase in cash and cash equivalents		**(184)**	183
Cash and cash equivalents at the beginning of the year		**432**	249
Cash and cash equivalents at the end of the year		**248**	432

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

This annual report is for the consolidated financial statements of AOP (parent entity), AAP, PLUS ES, APP and their respective controlled entities (**Ausgrid Group**) for the year ended 30 June 2023.

Ausgrid Group is domiciled in Australia. Its registered office and principal place of business is 24-28 Campbell Street, Sydney NSW 2000.

Ausgrid Group is a stapled structure comprised of AOP, AAP, PLUS ES and APP. The accounting standards require the nomination of one parent entity in a consolidated group, so for the purpose of preparing these consolidated financial statements only, AOP was identified as the parent. AOP and its partnership entities, AAP, PLUS ES and APP, were established on 20 October 2016 (AOP and AAP), 1 November 2017 (PLUS ES) and 27 April 2023 (APP). A consortium comprising IFM Investors, AustralianSuper and APG Asset Management (**APG**) holds 50.4% partnership interest and the New South Wales (**NSW**) State Government (through entities established in accordance with the *Electricity Retained Interest Corporation Act 2015 (NSW)*) holds 49.6% partnership interest in AOP, AAP, PLUS ES and APP.

Pursuant to the Partnership Deeds, all the Partners agreed to ensure equivalence in that the proportion of Partnership interest held by each Partner should be identical between AOP, AAP, PLUS ES and APP.

On 1 December 2016, AAP entered into a 99 year finance lease to lease the Ausgrid Group's electricity distribution and transmission network assets from the NSW State Government. On the same date, these assets were leased from AAP to AOP through a 98 year 364 day sublease, and AOP was granted a license to operate the network assets by the NSW State Government.

The Ausgrid Group is the controller, operator and manager of the distribution network and parts of the transmission network covering Sydney, the Central Coast and the Hunter Region of NSW and provides electricity services to both residential and commercial customers in NSW. AOP is both a Distribution Network Service Provider (**DNSP**) and a Transmission Network Service Provider (**TNSP**) in the National Electricity Market (**NEM**) which is regulated by the Australian Energy Regulator (**AER**). Over a regulatory control period, the AER determines the annual expected revenue that the Ausgrid Group is allowed to recover from customers based on the framework set out in the National Electricity Law (**NEL**) and National Electricity Rules (**NER**). The Ausgrid Group distributes electricity on behalf of energy retailers to their customers within Ausgrid Group's network area. The retailers pay the Ausgrid Group for the provision of network services to their customers according to the regulated network tariffs approved by the AER, and for related metering and ancillary network services provided to the retailers' customers.

The Ausgrid Group also delivers street lighting services to local councils and unregulated services with a focus on contestable metering and infrastructure services.

These financial statements were authorised for issue by the Directors on 22 August 2023.

(a) Basis of preparation

These general purpose financial statements have been prepared to meet the information needs of the Partners of AOP, AAP, PLUS ES and APP as required under the Partnership Deeds dated 20 October 2016 (AAP and AOP), 1 November 2017 (PLUS ES) and 27 April 2023 (APP), and in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (**AASB**). The Ausgrid Group is a for-profit entity for the purpose of preparing the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

(i) Compliance with IFRS

The consolidated financial statements of the Ausgrid Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Historical cost convention

These financial statements are prepared on a historical cost basis, except for the following:

- derivative financial instruments which are measured at their fair value;
- defined benefit plan which is measured at fair value; and
- assets classified as held for sale which are measured at the lower of their carrying value or Fair Value Less Costs of Disposal (**FVLCOD**).

(iii) Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Ausgrid Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

(iv) Going concern

As at 30 June 2023, the Ausgrid Group had net current liabilities of $1,755 million (30 June 2022: $254 million) due to $1,814 million of borrowings being classified as current borrowings as it matures within the next 12 months (refer to Note 12 for details).

The Directors have considered the following factors in determining whether the Ausgrid Group can pay its debts as and when they fall due for the next 12 months:

- The Ausgrid Group generated net operating cash inflows of $803 million for the year ended 30 June 2023 (2022: $968 million). The Ausgrid Group is forecasting net operating cash inflows for the next 12 months.
- As at 30 June 2023, the Ausgrid Group had available cash and cash equivalents of $248 million (2022: $432 million) and undrawn bank facilities of $344 million (2022: $475 million) maturing on 1 June 2024.
- On 27 June 2023, the Ausgrid Group priced a multi-tranche US Private Placement (**USPP**) transaction totalling $1,488 million (A$ equivalent) which settled on 26 July 2023. The proceeds were used to fully repay Syndicated Facility Agreement (**SFA**) Facility B4 and partially repay Capex Facility C (refer to Note 12 for details).
- The Ausgrid Group's credit rating was reaffirmed by Moody's in April 2023 and Standard and Poor's (**S&P**) in July 2023 with a stable rating outlook. This supports continued access to bank lending and capital markets.
- The Ausgrid Group Treasury Policy requires that the refinancing process for borrowing facilities to be commenced no later than 12 months prior to maturity date. Consistent with this policy, key bond program documentation is updated and reviewed annually to facilitate potential bond issuance in a wide range of capital markets. Management continues to engage with potential lenders in relation to refinancing borrowings maturing within the next 12 months.
- According to the Partnership Deeds, each Partner is jointly and severally liable and are responsible for discharging the liabilities of the Partnerships in proportion with their respective Partnership interest, and each Partner indemnifies the other Partners from the default of the liabilities. Accordingly, the Partners will provide continuing financial support so that the Ausgrid Group is able to pay its debts as and when they fall due.

Based on the factors above, the consolidated financial statements have been prepared on a going concern basis.

(b) Principles of consolidation

The consolidated financial statements include the assets and liabilities of the controlled entities within the Ausgrid Group as at 30 June 2023. Group transactions, balances and unrealised gains and losses on transactions between group entities are eliminated.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Ausgrid Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Australian Dollars (**A$**), which is the functional and presentation currency of each entity in the Ausgrid Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income or operating expenses.

(d) Revenue recognition

Revenue is recognised when the relevant performance obligations embedded in contracts with customers are satisfied, i.e. when the control of a good or service transfers to a customer. Performance obligations are completed at a point in time or over time. Revenue is recognised for the major business activities of the Ausgrid Group as follows:

(i) Network use of system revenue

Network Use of System (**NUOS**) revenue represents the rendering of electricity network services to customers within the Ausgrid Group's network area. Upon delivery of electricity, customers receive and consume the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the ‘right to invoice’ practical expedient, and recognises revenue based on the billing amount which is determined based on the relevant tariff multiplied by the electricity consumption volume, as well as the number of network access days and a demand or capacity charge (if applicable). The Ausgrid Group bills retailers weekly and monthly. Revenue associated with unbilled services is recognised as described in unread meters below.

NUOS revenue includes three components: Distribution Use of System (**DUOS**) revenue, Transmission Use of System (**TUOS**) revenue and revenue to recover the Ausgrid Group’s annual contribution to the NSW Climate Change Fund (**CCF**). DUOS revenue relates to customer use of the Ausgrid Group’s distribution network. TUOS revenue relates to customer use of the Ausgrid Group's transmission network, and also includes revenue to recover transmission costs paid to TNSPs and embedded generators.

(ii) Excess/shortfall in regulatory revenue

(a) DUOS

The Ausgrid Group's allowed DUOS revenues for a five year regulatory period are set by the AER as part of the regulatory determination process. Under this framework, where such DUOS revenues exceed or fall below the Ausgrid Group's Maximum Allowable Revenue (**MAR**), as determined by the AER, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(b) TUOS

TUOS revenue relates to customer use of the Ausgrid Group’s transmission network allowed under the MAR, and also includes revenue to recover transmission costs paid to TNSPs and embedded generators. Where such TUOS revenue exceeds or is below actual transmission costs paid to TNSPs and embedded generators, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(ii) Excess/shortfall in regulatory revenue (continued)

(c) CCF revenue

CCF revenue operates as a pass-through to customers based on payments made to the NSW CCF. Where such CCF revenue exceeds or is below actual contributions paid to the NSW Office of Environment & Heritage, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(iii) Unread meters

Applying the expected value method, the unread meters accrual is an estimate of the NUOS charges associated with the rendering of electricity distribution services not invoiced at the end of each reporting period. The accrual for unread meters includes both meters that have been read but not yet billed and meters that have not been read as at the reporting date. The methodology used by the Ausgrid Group reflects a bottom up approach where an accrual is estimated for all unread meters within the Ausgrid Group's network area. The accrual is calculated for each component of the network price including peak, shoulder and off peak electricity consumption, network access, demand and capacity charges.

The Ausgrid Group assesses the unread meters accrual at the end of each reporting period based on the expected value method (as described above) and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

(iv) Transmission revenue

Transmission revenue represents revenue from Transgrid from their use of the Ausgrid Group's transmission assets. Upon the use of Ausgrid Group's transmission assets, Transgrid receives and consumes the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the 'right to invoice' practical expedient and recognises revenue based on the billing amount.

(v) Capital contributions

Capital contributions represent non-cash capital contributed by customers and developers to the Ausgrid Group's distribution network.

Standard Control Services (**SCS**) capital contributions are contributed mainly by developers, who are not ongoing customers of the Ausgrid Group. Revenue is recognised at fair value at a point in time when the connection to the network is completed and the asset is energised.

Alternative Control Services (**ACS**) capital contributions represent street lighting capital contributions where the Ausgrid Group assumes an ongoing maintenance obligation to the customer who contributed the asset. The fair value of capital contributions from these specific customers are treated as contract liabilities and recognised as revenue over the ongoing maintenance period, i.e. the useful life of the asset contributed.

(vi) Street lighting revenue

Street lighting revenue relates to the ongoing maintenance and replacement of street lighting assets. As the street lighting maintenance and replacement services are provided continuously to the customer, it is treated as one performance obligation. Revenue is recognised over time when the street lighting services are provided.

(vii) Ancillary network services revenue

Ancillary Network Services (**ANS**) revenue relates to non-routine connection and other ad hoc metering services provided to individual customers on an as needed basis. Depending on the service, it can be at the request of an electricity retailer, accredited service provider or end customer. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(viii) Metering revenue

Metering revenue relates to ACS regulated metering. ACS regulated metering service charges represent the ongoing provision of metering services and metering data services for meters within the Ausgrid Group's network area (type 5 and 6 meters). This is a daily charge consisting of both capital and non-capital components. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

(ix) Unregulated revenue

Unregulated revenue is made up of unregulated metering revenue and other external revenue. Unregulated metering revenue represents the ongoing provision of metering services and metering data services for contestable meters (type 1 to 4 meters). Other external revenue mainly consists of rental income and infrastructure services revenue. Infrastructure services revenue represents revenue for design and construction of electrical and fibre infrastructure, and instrument calibration. Revenue is recognised over time when the services are delivered and/or the relevant performance obligations are satisfied.

(x) Government grants

Government grants are recognised in the statement of financial position initially as deferred revenue when they are received, and released to income when the Ausgrid Group complies with the conditions attaching to them. Grants that compensate the Ausgrid Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Ausgrid Group for expenses incurred are recognised in profit or loss in the same period in which the expenses are incurred.

(xi) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Ausgrid Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Income tax

Under tax law in Australia, the partnerships within the Ausgrid Group are not subject to tax, as each Partner reports its share of income from the partnerships in its own tax return.

The corporate entities within the Ausgrid Group have no taxable income. Therefore, there is no income tax expense or income tax payable for the year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(f) Leases

The Ausgrid Group leases various premises including network, depot and office facilities. Lease payments under these leases vary, some of which are subject to annual, biennial or triennial reviews to reflect market rentals.

(i) Measurement and recognition of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Ausgrid Group under residual value guarantees;
- the exercise price of a purchase option if the Ausgrid Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Ausgrid Group exercising that option.

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

(i) Measurement and recognition of lease liabilities (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Ausgrid Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the Right of Use (**ROU**) asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Measurement and recognition of ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally depreciated over the shorter of the underlying asset's useful life and the lease term on a straight-line basis. If the Ausgrid Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets are assets with a value less than $15,000 over the entire lease term.

Lease income from operating leases where the Ausgrid Group is a lessor is recognised as revenue in profit or loss on a straight-line basis over the lease term. The Ausgrid Group leases out its properties, including premises, land and network assets, under operating lease agreements at market rentals, predominantly on a fixed term basis.

(g) Impairment of assets

Goodwill is tested for impairment annually or whenever there is an indicator of impairment. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, where the recoverable amount is the higher of an asset's FVLCOD or Value in Use (**VIU**). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (Cash-generating Unit (**CGU**)).

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(i) Trade receivables

Trade receivables are recognised initially at fair value when the right to consideration becomes unconditional and subsequently measured at amortised cost using the effective interest method, less expected credit losses. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected within 12 months after the reporting date.

1 Summary of significant accounting policies (continued)

(i) Trade receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts for which the Ausgrid Group has no reasonable expectations of recovering are written off by reducing the carrying amount directly.

The Ausgrid Group applies the AASB 9 Financial Instruments (**AASB 9**) simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. Contract assets relate to unbilled receivables and have substantially the same risk characteristics as trade receivables. The Ausgrid Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

(j) Contract assets

Contract assets represent the right to consideration for performance obligations completed to date when the right is conditional on something other than the passage of time. The contract assets balance primarily represents the unread meters accrual.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average purchase price of each item. In the case of inventory for internal use, costs include direct labour, materials and a portion of variable overhead which comprises the cost of bringing the inventories to their appropriate location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Property, plant and equipment

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Ausgrid Group. Cost is the amount of cash or cash equivalents paid at the time of acquisition or construction, adjusted for any gains or losses on qualifying cash flow hedges in respect of the purchases of relevant assets.

After initial recognition as an asset, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

(ii) Historical cost method

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Ausgrid Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(iii) Impairment assessment

Each year, property, plant and equipment is assessed for impairment if an indication of impairment exists. The Ausgrid Group makes an estimate of the recoverable amount to confirm that the carrying amount of the asset does not exceed its recoverable amount.

The recoverable amount is based on the higher of the FVLCOD or the VIU for the CGU. In assessing FVLCOD or VIU, the estimated future cash flows for the business are discounted to their present value using a discount rate that reflects the risks specific to the business and relevant market assessments.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1 Summary of significant accounting policies (continued)

(l) Property, plant and equipment (continued)

(iv) Retirements or disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

(v) Capitalisation of costs

Items of property, plant and equipment are initially recognised at cost. Cost includes expenditure that is directly attributable to the acquisition and/or construction of the asset, including costs of materials, services, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an allocated proportion of supporting overhead costs. Capitalised costs also include borrowing costs in accordance with Note 1(r) (where relevant).

Management judgement is required in the assessment of the types of costs that are directly attributable to the construction of property, plant and equipment. Satisfying the directly attributable criteria requires an assessment of those unavoidable costs that, if not incurred, would result in the property, plant and equipment not being constructed or being capable of operating in the manner intended by management. Directly attributable overheads are allocated to the cost of construction of an asset using direct labour dollars or direct costs.

(vi) Depreciation

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of their useful lives or the lease term. The estimated useful lives or, in the case of leased assets, the shorter lease term, are as follows:

Categories	Depreciation period (years)
Buildings	40-60
Network assets:	
Information Technology (IT)	4-10
Legacy meters (type 5 and 6 meters)	25
Transmission and distribution equipment	35-50
Mains	45-60
Tunnels	70
Street lighting	20
Leased land	48-99
Plant and equipment:	
Contestable meters (type 1 to 4 meters)	15
Plant	7-25
Fleet	10-15
Furniture	10
Office equipment	7
IT hardware	4-10
Leased assets	lease term

Asset lives are reviewed annually and, where required, adjustments are made to the remaining useful lives of separately identifiable parts of assets having regard to factors such as asset usage and the rate of technical and commercial obsolescence. Adjustments are treated as changes in accounting estimates to be applied prospectively.

1 Summary of significant accounting policies (continued)

(m) Intangible assets

(i) Network assets

Network assets include easements and the Ausgrid Group's network distribution licence. Easements represent an interest in land which allows access to network assets. The Ausgrid Group's network distribution licence and easements are amortised on a straight-line basis over the 99 year lease period.

(ii) Customer contracts

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer contracts are amortised over a period of five years using the straight-line amortisation method.

(iii) Computer software

Computer software is amortised over a period of four years using the straight-line amortisation method. The useful life of software is reviewed annually, and adjustments where applicable, are treated as changes in accounting estimates to be applied prospectively.

Costs incurred in configuring or customising Software-as-a-Service (**SaaS**) arrangements are recognised as intangible assets only if the implementation activities create an intangible asset that the Ausgrid Group controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Ausgrid Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

(iv) Goodwill

Goodwill arises from business combinations. The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

(n) Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and FVLCOD, if their carrying amount will be recovered principally through a sale transaction as opposed to continued use. Once classified as held for sale, depreciation and amortisation ceases. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

(o) Derivatives and hedging activities

The Ausgrid Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

The fair value of Interest Rate Swaps (**IRS**), Cross Currency Interest Rate Swaps (**CCIRS**) and forward contracts is the estimated amount that the Ausgrid Group would receive or pay to terminate the derivative at the reporting date, taking into account current interest and foreign exchange rates and the current creditworthiness of the Ausgrid Group and its derivative counterparties.

Derivative financial instruments are classified into current and non-current portions when the Ausgrid Group expects to hold a derivative as an economic hedge for a period beyond 12 months after the reporting date. For derivative financial instruments designated into hedging relationships, the classification will be consistent with the hedge relationship.

1 Summary of significant accounting policies (continued)

(o) Derivatives and hedging activities (continued)

At the inception of a hedge relationship, the Ausgrid Group formally designates and documents the hedge relationship to which the Ausgrid Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Ausgrid Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Ausgrid Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Ausgrid Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Ausgrid Group continues to recognise the financial asset and the associated liability.

The Ausgrid Group derecognises a financial liability when, and only when, the Ausgrid Group's obligation specified in the contract is discharged, cancelled or expired.

Hedges that meet the criteria for hedge accounting are accounted for as described below:

(a) *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in finance costs in profit or loss.

(b) *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in finance costs in profit or loss.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. They are presented as current liabilities unless payment is not due within 12 months from the reporting date. The amounts are unsecured.

(q) Contract liabilities

Contract liabilities relate to consideration received in advance of performance under the contract. These liabilities are recognised as revenue as (or when) the Ausgrid Group delivers the performance obligation under the contract.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Transaction costs are amortised using the effective interest method over the life of the loan. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

Borrowings are classified as current liabilities unless the Ausgrid Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

1 Summary of significant accounting policies (continued)

(s) Provisions

Provisions are recognised when the Ausgrid Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

(t) Employee benefits

All liabilities for employee benefits that are expected to be paid for services provided by employees up to the reporting date represent present obligations and are fully provided for in the financial statements.

Liabilities for employee benefits for wages, salaries, annual leave, preserved sick leave and long service leave that are expected to be wholly settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided, are calculated at undiscounted amounts based on wage and salary rates that the Ausgrid Group expects to pay as at the reporting date and include related on-costs, such as workers compensation and payroll tax.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date based on an actuarial assessment. The discount rate is the market yield on national corporate bonds as at 30 June 2023 that have maturity dates aligned with the terms of the Ausgrid Group's obligations. The accrued portion of future benefits is determined using the projected unit credit method. Consideration is given to expected future wage and salary levels, and a range of demographic assumptions including retirement, withdrawal, death and disability rates. The calculation is performed by a qualified actuary.

The amounts provided have been apportioned between current and non-current provisions. The current provisions represent the portion which is expected to be paid within the ensuing 12 months or where there is no unconditional right to defer settlement of the obligation.

(u) Superannuation

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net obligation in respect of the defined benefit plan is calculated separately for each policy by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate is the market yield on national corporate bonds as at 30 June 2023 that have maturity dates aligned with the terms of the Ausgrid Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All remeasurements arising from the defined benefit plan are recognised in other comprehensive income in the year in which they occur.

1 Summary of significant accounting policies (continued)

(u) Superannuation (continued)

(ii) Defined benefit plan (continued)

Where the calculation results in a benefit to the Ausgrid Group, the recognised asset is limited to the future economic benefits that will be available to the Ausgrid Group through a reduction in future contributions or a cash refund.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced). Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Past service costs and net interest expense or income are recognised in profit or loss.

(v) Other liabilities

(i) Deferred revenue

Deferred revenue represents the advanced rental income received from external tenants.

(ii) Deposits

Deposits represent liabilities for contractors' deposits which can be refunded at any time after the end of the financial year and unclaimed monies which are held for up to six years before being transferred to Revenue NSW. The amount which can be refunded in the succeeding financial year and at any time is shown as current and the remainder of the liability as non-current.

(w) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (**GST**).

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (**ATO**) is included as a current asset or current liability in the statement of financial position.

The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(x) Distributions

The Ausgrid Group recognises a liability for distributions to Partners of the Ausgrid Group when the distribution is authorised by the Partnerships (AOP, AAP, PLUS ES and APP) in accordance with their respective Partnership Deeds.

(y) Segment reporting

The Chief Operating Decision Makers (**CODM**) of the Ausgrid Group, as defined by AASB 8 Operating Segments (**AASB 8**), is the Executive Leadership Team, which is made up of the Chief Executive Officer and his direct reports. The CODM review the performance of the Ausgrid Group as a whole and make decisions regarding the allocation of resources on this basis. For the purposes of AASB 8, the Ausgrid Group has one operating segment.

The Ausgrid Group is required to report its different regulatory lines of business as part of its reporting to the AER. Information in relation to the regulatory lines of business has been disclosed in the consolidated financial statements. The form of regulatory control that applies to the Ausgrid Group's services depends on whether the services are categorised as SCS, ACS, or unregulated services:

- SCS comprise core distribution and transmission network services that the AER determines are for the benefit of all end customers, the costs of which are recovered from all end customers. SCS is subject to a revenue cap mechanism which limits the amount of revenue that can be recovered from providing the applicable services in a given regulatory control period;

1 Summary of significant accounting policies (continued)

(y) Segment reporting (continued)

- ACS are services that the AER determines are either dedicated to, or requested by, a small number of end customers, the costs of which are directly recovered from those end customers. ACS is subject to a price cap mechanism which limits the price that can be charged for the applicable service. ACS include certain types of metering services, street lighting services and ancillary network services, such as facilitating network connections; and
- Unregulated services comprise services that the AER believes are provided on a sufficiently competitive or contestable basis such that economic regulation is not necessary. These services include contestable metering services, infrastructure services, and lease of property.

Refer to Note 1(d) for detailed revenue recognition accounting policies in relation to these services.

(z) Rounding of amounts

The Ausgrid Group has applied Australian Securities and Investments Commission (**ASIC**) Legislative Instrument 2016/191 (Rounding in Financial/Directors' Reports). The amounts shown in this report have been rounded to the nearest $1,000,000, unless otherwise indicated.

(aa) New accounting standards and interpretations adopted

A number of amended Australian Accounting Standards and Interpretations became applicable for the current reporting period. The Ausgrid Group did not need to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards and interpretations.

(ab) New accounting standards and interpretations not yet adopted

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Ausgrid Group for the year ended 30 June 2023. The amendments are as follows:

- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates; and
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current.

These standards, amendments or interpretations are not expected to have a material impact on the Ausgrid Group in the current or future reporting periods and on foreseeable future transactions.

2 Use of estimates and judgements

The preparation of the consolidated financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Judgements made by management in the application of Accounting Standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed below and in the various respective notes:

2 Use of estimates and judgements (continued)

Note 1(d)(iii) and 7 - Unread meters
Note 1(l) and 9 - Property, plant and equipment
Note 1(m) and 10 - Intangible assets
Note 1(s) and 13 - Provisions
Note 18 - Superannuation - defined benefit plan
Note 26(f) - Recognised fair value measurements

During the year ended 30 June 2023, the following significant event has occurred that provides further information on the estimates and judgements disclosed in the consolidated financial statements.

Interbank Offered Rate (IBOR) reform

The Ausgrid Group adopted AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2 on 1 July 2021.

The amendments provide practical expedients to account for changes in the basis for determining contractual cash flows as a result of IBOR reform and provide additional temporary relief from applying specific hedge accounting requirements to hedging relationships that are directly affected by IBOR reform. The relief requires the transitions to occur on an economically equivalent basis, only involve changes required by benchmark interest rate reform, be identical for both the host contract and embedded derivative, and occur no later than when the IBOR rate ceases to be published.

The Ausgrid Group holds a portfolio of foreign currency denominated fixed rate borrowings that are exposed to changes in fair value due to movements in market interest rates. The Ausgrid Group uses fair value hedge accounting to manage this interest rate risk exposure, which is determined as the change in fair value of the borrowings arising from changes in the US$ benchmark rate for US$ denominated borrowings.

The Ausgrid Group has US$ CCIRS designated in hedge relationships which previously referenced three month US$ London Interbank Offered Rate (**LIBOR**). These hedge relationships have now been amended to reference three month Secured Overnight Financing Rate (**SOFR**). The Ausgrid Group has assessed that the transition has been done on an economically equivalent basis and did not result in gain or loss in the income statement.

3 Revenue

	2023 $M	2022 $M
Revenue components		
DUOS	**1,374**	1,446
TUOS		
Pass-through	**270**	282
Non pass-through	**96**	81
CCF pass-through	**145**	135
NUOS	**1,885**	1,944
Transmission	**27**	24
SCS capital contributions	**118**	123
Other	**6**	4
Total SCS revenue	**2,036**	2,095

3 Revenue (continued)

	2023 $M	2022 $M
Metering	**54**	54
Street lighting	**40**	34
ANS	**70**	64
ACS capital contributions	**3**	2
Total ACS revenue	**167**	154
Unregulated revenue	**171**	147
Total unregulated revenue	**171**	147
Interest income	**7**	1
Total other revenue	**7**	1
Total revenue[1]	**2,381**	2,397

(1) Revenue billings of $1,283 million (2022: $1,363 million) is derived from retailers that individually make up more than 10% of the Ausgrid Group's total revenue and relate to SCS revenue. For SCS revenue, the retailer carries the bad debt risk of customers' inability to pay. The Ausgrid Group's regulated revenue is protected from retailer insolvency by a mechanism which allows recovery of revenue lost due to retailer failure.

4 Expenses

(a) Distribution of energy costs

	2023 $M	2022 $M
SCS regulated pass-through costs		
TNSP	**304**	302
CCF	**137**	133
Total regulated pass-through costs	**441**	435
Other energy costs	**1**	1
Total distribution of energy costs	**442**	436

(b) Operating expenses

	2023 $M	2022 $M
(i) Operating expenses by nature		
Employee benefits expense	**227**	200
Superannuation expense (defined benefit plan)	**2**	3
Superannuation expense (defined contribution plan)	**53**	48
Reform costs	**1**	-
Employee benefits expenses	**283**	251
Contracted services	**128**	118
IT expenses	**74**	58
Land and other taxes	**24**	25
Materials	**22**	18
Other	**15**	19
Other expenses	**263**	238
Total operating expenses	**546**	489
(ii) Operating expenses by line of business		
SCS	**402**	356
ACS	**104**	94
Unregulated	**40**	39
Total operating expenses	**546**	489

4 Expenses (continued)

(c) Depreciation and amortisation expense

	2023 $M	2022 $M
Depreciation of property, plant and equipment	**547**	545
Amortisation of intangible assets	**86**	96
Total depreciation and amortisation expense	**633**	641

(d) Finance costs

	2023 $M	2022 $M
Interest expense	**411**	172
Interest expense on IRS designated as cash flow hedges - reclassified from other comprehensive income	**4**	243
Amortisation of loan transaction costs	**20**	18
Unwinding of discount	**3**	-
Lease interest	**6**	3
Capitalised interest	**(5)**	(5)
Hedge ineffectiveness	**4**	10
Adjustments to the SFA	**-**	3
Other	**1**	(1)
Total finance costs	**444**	443

5 Taxation

	2023 $M	2022 $M
Income tax recognised in other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Changes in cash flow hedges	**-**	(407)
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit superannuation actuarial gain	**(2)**	-
Total income tax recognised in other comprehensive income	**(2)**	(407)

6 Deferred taxation

	Cash flow hedge reserve $M	Defined benefit superannuation plan $M	Total $M
Balance at 1 July 2021	183	(10)	173
Recognised in other comprehensive income	(407)	-	(407)
Balance at 30 June 2022	(224)	(10)	(234)
Recognised in other comprehensive income	**-**	**(2)**	**(2)**
Balance at 30 June 2023	**(224)**	**(12)**	**(236)**

7 Trade and other receivables and contract assets

	2023 $M	2022 $M
Current		
Trade receivables	**57**	53
Less: provision for impairment of trade receivables	**(10)**	(5)
Interest receivables from derivatives	**47**	36
Other receivables	**11**	197
Total current trade and other receivables	**105**	281
Contract assets		
Unread meters	**249**	263
Other	**31**	27
Total current contract assets	**280**	290
Non-current		
Other receivables	**3**	2
Total non-current other receivables	**3**	2

8 Assets classified as held for sale

	2023 $M	2022 $M
Land and buildings	**1**	5
Total assets classified as held for sale	**1**	5

9 Property, plant and equipment

	Land and buildings $M	Network assets $M	Plant and equipment $M	Total[1] $M
At 30 June 2023				
At cost	**808**	**19,082**	**986**	**20,876**
Accumulated depreciation	**(111)**	**(2,987)**	**(352)**	**(3,450)**
Net carrying amount	**697**	**16,095**	**634**	**17,426**
Year ended 30 June 2023				
Net carrying amount at 1 July 2022	**685**	**15,807**	**521**	**17,013**
Additions	**18**	**797**	**180**	**995**
Disposals	**(1)**	**(27)**	**(7)**	**(35)**
Transfers	**20**	**(20)**	**-**	**-**
Depreciation expense	**(25)**	**(462)**	**(60)**	**(547)**
Net carrying amount	**697**	**16,095**	**634**	**17,426**
At 30 June 2022				
At cost	771	18,340	832	19,943
Accumulated depreciation	(86)	(2,533)	(311)	(2,930)
Net carrying amount	685	15,807	521	17,013
Year ended 30 June 2022				
Net carrying amount at 1 July 2021	745	15,729	457	16,931
Additions	20	614	126	760
Disposals	(61)	(68)	(4)	(133)
Depreciation expense	(19)	(468)	(58)	(545)
Net carrying amount	685	15,807	521	17,013

(1) ROU assets in property, plant and equipment

On 1 December 2016, the Ausgrid Group entered into a 99 year finance lease with the NSW State Government. The underlying leased assets arising from the 99 year finance lease are land and buildings, network assets and plant and equipment. These leased assets, with a ROU carrying value of $16,739 million as at 30 June 2023, constitute a major portion of the Ausgrid Group's property, plant and equipment. The non-leased assets are land and buildings of $65 million, and plant and equipment of $622 million as at 30 June 2023. The depreciation expense on ROU assets during the year was $484 million.

Assets under construction

At 30 June 2023, property, plant and equipment included the following assets under construction:

Land and buildings	$29 million (2022: $27 million)
Network assets	$401 million (2022: $454 million)
Plant and equipment	$74 million (2022: $57 million)

9 Property, plant and equipment (continued)

Capital expenditure

	2023 $M	2022 $M
SCS capital expenditure		
Replacement	**561**	404
Augmentation	**37**	22
Connection	**17**	18
Reliability	**8**	2
Non-network and other	**139**	79
Total SCS capital expenditure	**762**	525
ACS capital expenditure		
Street lighting and other ACS activities	**53**	39
Total ACS capital expenditure	**53**	39
Unregulated capital expenditure		
PLUS ES	**123**	101
Network Service Provider (**NSP**)	**5**	1
Total unregulated capital expenditure	**128**	102
Total capital expenditure	**943**	666

Replacement capital expenditure relates to the replacement of assets that have reached the end of their serviceable or technical life, or have condition issues that necessitate the replacement of the asset.

Augmentation capital expenditure relates to new capital investment that expands the network's capacity to deliver electricity that is not connection or reliability capital expenditure.

Connection capital expenditure relates to new capital investment required to connect new customers, with the majority of connection related works funded by customers under a contestable framework.

Reliability capital expenditure relates to capital expenditure that improves network reliability in specific areas.

Non-network and other capital expenditure relates to the spend required to support the businesses operation and includes information technology, property and fleet.

ACS capital expenditure relates to the installation of new street lighting assets, replacement of street lighting assets and a proportion of non-network and other capital expenditure that supports the ACS line of business.

Unregulated capital expenditure relates to investments within the Ausgrid Group's unregulated business including contestable meters and electrical and telecommunication infrastructure, and a proportion of non-network and other capital expenditure that supports the unregulated line of business.

10 Intangible assets

	Network assets $M	Customer contracts $M	Computer software $M	Goodwill $M	Total $M
At 30 June 2023					
At cost	**1,686**	**4**	**581**	**2,135**	**4,406**
Accumulated amortisation	**(110)**	**(4)**	**(421)**	**-**	**(535)**
Accumulated impairment	**-**	**-**	**-**	**(348)**	**(348)**
Net carrying amount	**1,576**	**-**	**160**	**1,787**	**3,523**
Year ended 30 June 2023					
Net carrying amount at 1 July 2022	**1,593**	**-**	**149**	**1,787**	**3,529**
Additions	**-**	**-**	**80**	**-**	**80**
Amortisation expense	**(17)**	**-**	**(69)**	**-**	**(86)**
Net carrying amount	**1,576**	**-**	**160**	**1,787**	**3,523**
At 30 June 2022					
At cost	1,686	4	500	2,135	4,325
Accumulated amortisation	(93)	(4)	(351)	-	(448)
Accumulated impairment	-	-	-	(348)	(348)
Net carrying amount	1,593	-	149	1,787	3,529
Year ended 30 June 2022					
Net carrying amount 1 July 2021	1,611	1	183	1,787	3,582
Additions	-	-	44	-	44
Disposals	(1)	-	-	-	(1)
Amortisation expense	(17)	(1)	(78)	-	(96)
Net carrying amount	1,593	-	149	1,787	3,529

Assets under construction

At 30 June 2023, assets under construction included in intangible assets related to computer software of $71 million (2022: $31 million).

(a) Impairment test of goodwill

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Ausgrid Group has two CGUs, the NSP (comprising AAP, AOP and APP) and PLUS ES. The recoverable amount of each CGU has been determined based on the FVLCOD approach.

In applying the FVLCOD approach, the recoverable amount of each CGU is assessed using a discounted cash flow methodology. The cash flow forecasts are based on the latest business plans up to 30 June 2028 and the long-term corporate model for future years. These cash flows are then discounted using a relevant long-term post-tax discount rate. The discount rate is determined based on post-tax weighted average cost of capital using market based inputs.

The valuation is considered to be level 3 in the fair value hierarchy, as some of the inputs are based on non-market observable inputs.

10 Intangible assets (continued)

(a) Impairment test of goodwill (continued)

Goodwill is allocated to CGUs as follows:

	2023 $M	2022 $M
NSP	**1,722**	1,722
PLUS ES	**65**	65
Total	**1,787**	1,787

(i) NSP CGU

The NSP CGU carrying value was supported by its recoverable amount and no impairment exists at 30 June 2023 (2022: $nil impairment). The key assumptions used in the discounted cash flow analysis were:

- Post-tax discount rate of 6.30% (2022: 6.10%);
- Terminal value Regulated Asset Base (**RAB**) multiple of 1.35x for SCS (2022: 1.35x) and a multiple of 26.97x (2022: 28.50x) applied to ACS and unregulated business terminal year cash flows;
- Terminal growth rate of 2.50% (2022: 2.50%); and
- Cash flow horizon of 30 years (2022: 30 years). Cash flow forecast includes assumptions related to growth in revenue, operating expenditure and capital expenditure, with the growth assumption primarily driven by the assumptions in the regulatory building block model, with growth being a function of the RAB and the allowable return from the AER in the current regulatory period (1 July 2019 to 30 June 2024) and expected future returns in years after 30 June 2024.

(ii) PLUS ES CGU

The PLUS ES CGU carrying value was supported by its recoverable amount and no impairment exists at 30 June 2023 (2022: $nil impairment). The key assumptions used in the discounted cash flow analysis were:

- Post-tax discount rate of 8.40% (2022: 8.20%);
- Terminal growth rate of 3.00% (2022: 3.00%); and
- Cash flow horizon of 20 years (2022: 20 years). Cash flow forecast includes assumptions related to growth in revenue, operating expenditure and capital expenditure.

(b) Sensitivity to changes in assumptions

(i) NSP CGU

There is no foreseeable change to the NSP CGU key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount.

(ii) PLUS ES CGU

There is no foreseeable change to the PLUS ES CGU key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount.

11 Trade and other payables

		2023 $M	2022 $M
Current			
Trade payables		**113**	83
Interest payable		**145**	138
Accruals		**49**	56
Other payables		**20**	61
Total current trade and other payables		**327**	338

12 Borrowings

		2023 $M	2022 $M
Current			
Lease liabilities		**8**	4
Total current lease liabilities		**8**	4
A$ denominated interest bearing loans		**1,565**	-
A$ denominated interest bearing notes		**250**	-
US$ denominated interest bearing notes		**-**	724
Less: Transaction costs		**(1)**	(1)
Total current loans and notes	12(a)	**1,814**	723
Total current borrowings		**1,822**	727
Non-current			
Lease liabilities		**59**	34
Total non-current lease liabilities		**59**	34
A$ denominated interest bearing loans		**2,770**	3,844
A$ denominated interest bearing notes		**2,377**	2,622
US$ denominated interest bearing notes		**2,940**	2,973
EUR denominated interest bearing notes		**1,684**	1,627
Less: Transaction costs		**(39)**	(49)
Total non-current loans and notes	12(a)	**9,732**	11,017
Total non-current borrowings		**9,791**	11,051

Common Terms Deed (CTD)

On 13 December 2022, the Ausgrid Group established a new CTD to borrow A$ denominated debt and entered into a four year facility of $500 million (B6), a 7.25 year facility of $425 million (B7), and a 5.25 year facility of $600 million (B8). Facilities B7 and B8 were fully drawn to partially repay SFA Facility B4 and fully repay SFA Facility B5. Facility B6 was fully drawn to partially repay the US144A notes that matured on 1 May 2023.

As a result of the refinance, a $4 million expense relating to the accelerated amortisation of transaction costs of SFA Facility B4 and SFA Facility B5 was recognised in Finance costs (refer to Note 4(d)).

12 Borrowings (continued)

USPP

On 27 June 2023, the Ausgrid Group priced a multi-tranche USPP transaction totalling $1,488 million (A$ equivalent) which settled on 26 July 2023. The transaction was structured across a range of tenors and currencies, including a seven year tranche of US$95 million, ten year tranches of US$261 million, AU$50 million, and CAD270 million, 12 year tranches of US$150 million and GBP39 million, and 15 year tranches of US$56 million, CAD60 million, and GBP77 million. The proceeds were used to fully repay SFA Facility B4 and partially repay Capex Facility C.

(a) Loans and notes

	Drawdown[1] $M	Foreign exchange movements[2] $M	Fair value adjustments[3] $M	Transaction costs $M	Carrying value $M
30 June 2023					
Fixed rate notes					
10 year US$770M USPP	**966**	**195**	**(96)**	**(3)**	**1,062**
12 year US$430M USPP	**540**	**109**	**(62)**	**(2)**	**585**
15 year US$430M USPP	**540**	**109**	**(74)**	**(3)**	**572**
10 year A$29M USPP	**29**	**-**	**-**	**-**	**29**
12 year A$103M USPP	**103**	**-**	**-**	**-**	**103**
15 year A$88M USPP	**88**	**-**	**-**	**(1)**	**87**
7 year A$750M Australian Medium Term Note (**AMTN**)	**750**	**-**	**(20)**	**(1)**	**729**
6.5 year A$750M AMTN	**750**	**-**	**(93)**	**(2)**	**655**
7.25 year EUR650M EMTN	**1,037**	**29**	**(64)**	**(2)**	**1,000**
10 year EUR525M EMTN	**845**	**16**	**(179)**	**(4)**	**678**
10.25 year US$500M 144A	**659**	**96**	**(42)**	**(5)**	**708**
	6,307	**554**	**(630)**	**(23)**	**6,208**
Floating rate notes and facilities					
15 year A$100M USPP	**100**	**-**	**-**	**(1)**	**99**
7 year A$450M AMTN	**450**	**-**	**-**	**-**	**450**
5 year A$220M AMTN	**220**	**-**	**-**	**-**	**220**
3.5 year A$250M AMTN	**250**	**-**	**-**	**-**	**250**
Bank Facilities[4]	**3,090**	**-**	**-**	**(9)**	**3,081**
Asian Syndicated Facility (**ASF**)[5]	**1,245**	**-**	**-**	**(7)**	**1,238**
	5,355	**-**	**-**	**(17)**	**5,338**
Total loans and notes	**11,662**	**554**	**(630)**	**(40)**	**11,546**

(1) The drawdown represents A$ denominated loans and notes or, in regards to foreign currency denominated notes, the A$ equivalent translated at the hedged rate at inception.

(2) This relates to foreign exchange movements from the date of original drawdown of non A$ notes to 30 June 2023.

(3) The fair value adjustment of $630 million (2022: $396 million) is made up of hedge accounting adjustments due to interest rate movements.

12 Borrowings (continued)

(a) Loans and notes (continued)

(4) Bank Facilities include Facility B4, C and D of the SFA and Facilities B6, B7 and B8 of the CTD. The original drawdown of the SFA Facilities was $11,931 million. This was reduced to $1,565 million due to repayments of $11,779 million, partially offset by additional drawdowns of $1,413 million since the inception of the SFA. The original drawdown of the CTD Facilities was $1,525 million.

(5) The original drawdown of the ASF was $1,650 million. This was reduced to $1,245 million due to repayment of $405 million.

	Drawdown $M	Foreign exchange movements $M	Fair value adjustments $M	Transaction costs $M	Carrying value $M
30 June 2022					
Fixed rate notes					
10 year US$770M USPP	966	152	(46)	(3)	1,069
12 year US$430M USPP	540	84	(32)	(2)	590
15 year US$430M USPP	540	84	(40)	(3)	581
10 year A$29M USPP	29	-	-	-	29
12 year A$103M USPP	103	-	-	-	103
15 year A$88M USPP	88	-	-	(1)	87
7 year A$750M AMTN	750	-	(16)	(2)	732
6.5 year A$750M AMTN	750	-	(102)	(2)	646
7.25 year EUR650M EMTN	1,037	(50)	(23)	(2)	962
10 year EUR525M EMTN	845	(48)	(134)	(4)	659
5 year US$500M 144A	659	67	(2)	(1)	723
10.25 year US$500M 144A	659	67	(1)	(6)	719
	6,966	356	(396)	(26)	6,900
Floating rate notes and facilities					
15 year A$100M USPP	100	-	-	(1)	99
7 year A$450M AMTN	450	-	-	(1)	449
5 year A$220M AMTN	220	-	-	-	220
3.5 year A$250M AMTN	250	-	-	(1)	249
Bank Facilities	2,424	-	-	(11)	2,413
Asian Syndicated Facility	1,420	-	-	(10)	1,410
	4,864	-	-	(24)	4,840
Total loans and notes	11,830	356	(396)	(50)	11,740

12 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit $M	Drawn[1] $M	Undrawn $M
30 June 2023				
7 year A$750M AMTN fixed rate	**30 Oct 24**	**750**	**750**	**-**
7 year A$450M AMTN floating rate	**30 Oct 24**	**450**	**450**	**-**
6.5 year A$750M AMTN fixed rate	**5 Feb 27**	**750**	**750**	**-**
5 year A$220M AMTN floating rate	**24 Feb 26**	**220**	**220**	**-**
3.5 year A$250M AMTN floating rate	**5 Feb 24**	**250**	**250**	**-**
Total AMTN		**2,420**	**2,420**	**-**
10.25 year US$500M 144A fixed rate	**1 Aug 28**	**755**	**755**	**-**
Total US144A notes		**755**	**755**	**-**
7.25 year EUR650M EMTN fixed rate	**30 Jul 25**	**1,066**	**1,066**	**-**
10 year EUR525M EMTN fixed rate	**7 Oct 31**	**861**	**861**	**-**
Total EMTN		**1,927**	**1,927**	**-**
10 year US$770M USPP fixed rate	**1 Oct 27**	**1,161**	**1,161**	**-**
12 year US$430M USPP fixed rate	**1 Oct 29**	**649**	**649**	**-**
15 year US$430M USPP fixed rate	**1 Oct 32**	**649**	**649**	**-**
10 year A$29M USPP fixed rate	**1 Oct 27**	**29**	**29**	**-**
12 year A$103M USPP fixed rate	**1 Oct 29**	**103**	**103**	**-**
15 year A$88M USPP fixed rate	**1 Oct 32**	**88**	**88**	**-**
15 year A$100M USPP floating rate	**1 Oct 32**	**100**	**100**	**-**
Total USPP notes		**2,779**	**2,779**	**-**
5.25 year SFA Term Facility B4	**1 Dec 23**	**975**	**975**	**-**
4 year Syndicated Facility B6T[2]	**15 Dec 26**	**105**	**105**	**-**
7.25 year Syndicated Facility B7T[2]	**15 Mar 30**	**195**	**195**	**-**
5.25 year Syndicated Facility B8T[2]	**15 Mar 28**	**435**	**435**	**-**
7 year ASF Term Facility A1	**2 Jul 26**	**995**	**995**	**-**
10 year ASF Term Facility A2	**2 Jul 29**	**250**	**250**	**-**
Total term loans		**2,955**	**2,955**	**-**
Capex Facility C	**1 Jun 24**	**721**	**548**	**173**
Working Capital Facility D[3]	**1 Jun 24**	**250**	**42**	**208**
4 year Syndicated Facility B6R[2]	**15 Dec 26**	**395**	**395**	**-**
7.25 year Syndicated Facility B7R[2]	**15 Mar 30**	**230**	**230**	**-**
5.25 year Syndicated Facility B8R[2]	**15 Mar 28**	**115**	**115**	**-**
5.25 year Bilateral Facility B8R[2]	**15 Mar 28**	**50**	**50**	**-**
Total revolving loans		**1,761**	**1,380**	**381**
Total[4]		**12,597**	**12,216**	**381**

(1) The total drawn facilities of $12,216 million (2022: $12,186 million) is made up of total drawdown of $11,662 million (2022: $11,830 million) and foreign exchange movements of $554 million (2022: $356 million) on page 32.

(2) New facilities under the CTD.

12 Borrowings (continued)

(a) Loans and notes (continued)

(3) In addition to the $42 million drawn under the Working Capital Facility D, $37 million of bank guarantees have been issued under the facility (refer to Note 23) and therefore the unutilised funds available under the Working Capital Facility D is $171 million. Therefore, total undrawn bank facilities excluding bank guarantees is $344 million.

(4) The weighted average interest for total drawn debt for the year ended 30 June 2023, including net payments under interest rate derivatives and excluding transaction costs, was 3.54% (2022: 3.45%).

	Maturity	Facility limit $M	Drawn $M	Undrawn $M
30 June 2022				
7 year A$750M AMTN fixed rate	30 Oct 24	750	750	-
7 year A$450M AMTN floating rate	30 Oct 24	450	450	-
6.5 year A$750M AMTN fixed rate	5 Feb 27	750	750	-
5 year A$220M AMTN floating rate	24 Feb 26	220	220	-
3.5 year A$250M AMTN floating rate	5 Feb 24	250	250	-
Total AMTN		2,420	2,420	-
5 year US$500M 144A fixed rate	1 May 23	726	726	-
10.25 year US$500M 144A fixed rate	1 Aug 28	726	726	-
Total US144A notes		1,452	1,452	-
7.25 year EUR650M EMTN fixed rate	30 Jul 25	987	987	-
10 year EUR525M EMTN fixed rate	7 Oct 31	797	797	-
Total EMTN		1,784	1,784	-
10 year US$770M USPP fixed rate	1 Oct 27	1,118	1,118	-
12 year US$430M USPP fixed rate	1 Oct 29	624	624	-
15 year US$430M USPP fixed rate	1 Oct 32	624	624	-
10 year A$29M USPP fixed rate	1 Oct 27	29	29	-
12 year A$103M USPP fixed rate	1 Oct 29	103	103	-
15 year A$88M USPP fixed rate	1 Oct 32	88	88	-
15 year A$100M USPP floating rate	1 Oct 32	100	100	-
Total USPP notes		2,686	2,686	-
5.25 year SFA Term Facility B4	1 Dec 23	1,400	1,400	-
7.25 year SFA Term Facility B5	1 Dec 25	574	574	-
7 year ASF Term Facility A1	2 Jul 26	1,170	1,170	-
10 year ASF Term Facility A2	2 Jul 29	250	250	-
Total term loans		3,394	3,394	-
Capex Facility C	1 Jun 24	721	343	378
Working Capital Facility D	1 Jun 24	250	107	143
Total revolving loans		971	450	521
Total		12,707	12,186	521

12 Borrowings (continued)

(b) Interest rate for public debt instrument

	Rate in currency of issue[1]
AMTN	
7 year A$750M AMTN fixed rate	3.750%
7 year A$450M AMTN floating rate	BBSW+1.220%
6.5 year A$750M AMTN fixed rate	1.814%
5 year A$220M AMTN floating rate	BBSW+1.000%
3.5 year A$250M AMTN floating rate	BBSW+1.100%
US144A notes	
10.25 year US$500M 144A fixed rate	4.350%
EMTN	
7.25 year EUR650M EMTN fixed rate	1.250%
10 year EUR525M EMTN fixed rate	0.875%

(1) The Bank Bill Swap Rate (**BBSW**) is a floating short-term benchmark interest rate.

12 Borrowings (continued)

(c) Reconciliation of liabilities arising from financing activities

	1 July 2022	Cash flows	Non-cash changes				30 June 2023
			Fair value adjustments	Foreign exchange movements	Amortisation	Acquisition	
	$M	$M	$M	$M	$M	$M	$M
A$ denominated interest bearing loans	**3,844**	**491**	**-**	**-**	**-**	**-**	**4,335**
A$ denominated interest bearing notes	**2,622**	**-**	**5**	**-**	**-**	**-**	**2,627**
US$ denominated interest bearing notes	**3,697**	**(659)**	**(153)**	**55**	**-**	**-**	**2,940**
EUR denominated interest bearing notes	**1,627**	**-**	**(86)**	**143**	**-**	**-**	**1,684**
Transaction costs	**(50)**	**(10)**	**-**	**-**	**20**	**-**	**(40)**
Lease liabilities	**38**	**(11)**	**-**	**-**	**6**	**34**	**67**
Total liabilities from financing activities	**11,778**	**(189)**	**(234)**	**198**	**26**	**34**	**11,613**

	1 July 2021	Cash flows	Non-cash changes				30 June 2022
			Fair value adjustments	Foreign exchange movements	Amortisation	Acquisition	
	$M	$M	$M	$M	$M	$M	$M
A$ denominated interest bearing loans	5,014	(1,173)	3	-	-	-	3,844
A$ denominated interest bearing notes	2,771	-	(149)	-	-	-	2,622
US$ denominated interest bearing notes	3,774	-	(395)	318	-	-	3,697
EUR denominated interest bearing notes	1,074	845	(202)	(90)	-	-	1,627
Transaction costs	(61)	(7)	-	-	18	-	(50)
Lease liabilities	29	(3)	-	-	3	9	38
Total liabilities from financing activities	12,601	(338)	(743)	228	21	9	11,778

13 Provisions

	Employee benefits $M	Workers compensation and legal $M	Other $M	Total $M
Balance at 1 July 2022	**281**	**29**	**55**	**365**
Additional provision	**149**	**8**	**6**	**163**
Amounts used	**(152)**	**(11)**	**(7)**	**(170)**
Amounts reversed	**(2)**	**-**	**(3)**	**(5)**
Unwinding of discount	**-**	**1**	**2**	**3**
At 30 June 2023	**276**	**27**	**53**	**356**
Current	**273**	**8**	**15**	**296**
Non-current	**3**	**19**	**38**	**60**
At 30 June 2023	**276**	**27**	**53**	**356**
Balance at 1 July 2021	286	32	62	380
Additional provision	123	7	-	130
Amounts used	(127)	(10)	(6)	(143)
Amounts reversed	(2)	-	(1)	(3)
Amounts transferred	1	-	-	1
At 30 June 2022	281	29	55	365
Current	272	10	19	301
Non-current	9	19	36	64
At 30 June 2022	281	29	55	365

(a) Employee benefits

The provision for employee benefits relates to amounts accruing to employees up to the reporting date in respect of annual leave, bonus, preserved sick leave, superannuation, supplementary superannuation and long service leave. Amounts provided for in relation to long service leave, preserved sick leave and supplementary superannuation are based on actuarial assessments.

Employee benefit amounts expected to be settled within 12 months have been measured at the amounts expected to be paid when the liabilities are settled.

(b) Workers compensation and legal

The Ausgrid Group is a self-insurer for workers compensation and meets all liabilities under the workers compensation legislation in NSW and other states. The provision covers claims incurred but not yet reported and the anticipated fund management fees in respect of the management of those claims.

A bank guarantee is held for security and can be drawn down in the event of a default. Refer to Note 23 for details.

A provision for legal claims is recognised when the Ausgrid Group has a present legal or constructive obligation as a result of past events. The provision reflects management's best estimate of the expenditure required to settle the legal claims at the reporting date.

13 Provisions (continued)

(c) Other

Other provisions mainly consist of provisions for future Polychlorinated Biphenyls (**PCB**) disposal costs and costs relating to decommissioning assets.

(i) Provision for PCB disposal costs

This provision reflects future PCB disposal costs at the end of life of network equipment where there is a legislative obligation.

The provision as at 30 June 2023 was $17 million (2022: $17 million) and reflects an estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. Future disposal costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future disposal costs is capitalised and is depreciated in accordance with the policy set out in Note 1(l). The unwinding of the effect of discounting the provision is recognised as a finance cost.

(ii) Provision for costs relating to decommissioning assets

The provision to cover the expected future costs associated with decommissioning the Ausgrid Group's network assets as at 30 June 2023 was $35 million (2022: $33 million). Future costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future asset decommissioning costs is capitalised and is depreciated in accordance with the policy set out in Note 1(l). The unwinding of the effect of discounting the provision is recognised as a finance cost.

14 Other liabilities and contract liabilities

	2023 $M	2022 $M
Current		
Deposits	**1**	1
Deferred revenue	**2**	5
Total current other liabilities	**3**	6
Current contract liabilities		
Street lighting capital contribution	**3**	2
Deferred street lighting revenue	**3**	3
Development rights agreement	**1**	3
Other	**2**	2
Total current contract liabilities	**9**	10
Non-current contract liabilities		
Street lighting capital contribution	**49**	41
Deferred street lighting revenue	**26**	26
Development rights agreement	**3**	-
Total non-current contract liabilities	**78**	67

During the year, $6 million revenue relating to street lighting (both street lighting capital contributions and deferred street lighting revenue) was recognised (2022: $6 million) that was included in the contract liabilities balance on 1 July 2022.

15 Derivatives

	2023 $M	2022 $M
Current assets		
CCIRS	**-**	65
Forward foreign exchange contracts	**3**	3
Total current derivative financial assets	**3**	68
Non-current asset		
CCIRS	**249**	275
IRS	**750**	739
Forward foreign exchange contracts	**4**	5
Total non-current derivative financial assets	**1,003**	1,019
Total derivative financial assets	**1,006**	1,087

15 Derivatives (continued)

	2023 $M	2022 $M
Non-current liability		
CCIRS	**(204)**	(248)
IRS	**(128)**	(124)
Total non-current derivative financial liabilities	**(332)**	(372)
Total derivative financial liabilities	**(332)**	(372)
Net derivative financial assets	**674**	715

16 Partner capital

	AOP		AAP		PLUS ES		APP	
	Number	$M	Number	$M	Number[1]	$M	Number[1]	$M
30 June 2023								
Ordinary capital interest	**504**	**832**	**504**	**3,538**	**4,612**	**92**	**1,624**	**28**
A class capital interest	**496**	**819**	**496**	**3,483**	**4,538**	**91**	**1,598**	**28**
Total contributed equity	**1,000**	**1,651**	**1,000**	**7,021**	**9,150**	**183**	**3,222**	**56**
30 June 2022								
Ordinary capital interest	504	865	504	3,538	4,612	92	-	-
A class capital interest	496	851	496	3,483	4,538	91	-	-
Total contributed equity	1,000	1,716	1,000	7,021	9,150	183	-	-

(1) The number of interests for PLUS ES and APP is in millions.

(a) Partner capital

Ordinary capital interest

Ordinary capital interests of AOP, AAP, PLUS ES and APP were issued to Blue Op Partner Pty Limited as trustee for Blue Op Partner Trust (**Blue AOP**) and to Blue Asset Partner Pty Limited as trustee for Blue Asset Partner Trust (**Blue AAP**) on 20 October 2016, to Blue PLUS ES Partner Pty Limited as trustee for Blue PLUS ES Partner Trust (**Blue PLUS ES**) on 1 November 2017, and to Blue Aurora Partner Pty Limited as trustee for Blue Aurora Partner Trust (**Blue APP**) on 24 May 2023. Blue AOP, Blue AAP, Blue PLUS ES and Blue APP are controlled by a consortium led by IFM Investors, AustralianSuper and APG. The interests are classified as equity and are fully paid.

A class capital interest

A class capital interest of AOP, AAP, PLUS ES and APP were issued to four separate Electricity Retained Interest Corporation entities (**ERIC Partners**) controlled by the NSW State Government on 20 October 2016 for AOP and AAP, 1 November 2017 for PLUS ES and 24 May 2023 for APP. An A class interest will be automatically converted to an ordinary interest when it is held by an entity other than ERIC Partners. The rights and obligations attaching to A class capital interests and ordinary capital interests are identical except for the attached voting rights. The interests are classified as equity and are fully paid.

16 Partner capital (continued)

(b) Partnership liability

Each Partner is responsible for discharging the liabilities of AOP, AAP, PLUS ES and APP in proportion with their respective Partnership interest and each Partner indemnifies the other Partners from the default of the liabilities.

(c) Distribution

Each Partner is entitled to distributions in proportion with their respective Partnership interests. All distributions are subject to approval by the Partnership Board. In accordance with the Partnership Deed, a quarterly distribution of a minimum of 85% of surplus cash will be distributed to Partners, unless Directors make a unanimous determination to distribute a lesser amount in respect of a particular quarter.

Surplus cash is calculated as the operating cash flows of the Partnership for the quarter; less growth and maintenance capital expenditure for the quarter; less interest and debt repayments for the quarter (including any voluntary prepayments); plus the proceeds from debt drawdowns or refinancing undertaken in the quarter; plus proceeds from the sale of any assets in the quarter.

17 Retained earnings

	AOP $M	AAP $M	PLUS ES $M	APP $M	Total $M
Balance at 1 July 2022	**62**	**(64)**	**14**	**-**	**12**
Profit for the year	**70**	**181**	**45**	**-**	**296**
Distributions paid	**-**	**(100)**	**-**	**-**	**(100)**
Balance at 30 June 2023	**132**	**17**	**59**	**-**	**208**
Balance at 1 July 2021	(94)	(552)	(22)	-	(668)
Profit for the year	156	488	36	-	680
Balance at 30 June 2022	62	(64)	14	-	12

18 Superannuation - defined benefit plan

The Ausgrid Group participated in the Energy Industries Superannuation Scheme (**EISS**) established by a Trust Deed made under an Act of the NSW Parliament, of which some divisions provide defined benefits. On 12 May 2023, the EISS merged with Construction and Building Unions Superannuation Fund (**Cbus**). As a result, all EISS members transferred to Cbus and all EISS products were closed. All EISS defined benefit members were transferred to the Pool B Subdivision of the Defined Benefits Section of Cbus under a 'successor fund' arrangement, which ensured that the defined benefit members' benefits were carried over to Cbus on an equivalency basis. Cbus' Trustee is United Super Pty Ltd.

As the Ausgrid Group was a participant in the former EISS, it is now a participant in the Pool B Subdivision of the Defined Benefits Section of Cbus (hereafter referred to as **the Fund**). The Ausgrid Group accounts for its proportionate share of the defined benefit obligation, Fund assets, and cost associated with the Fund in the same way as for any other defined benefit plan.

(a) Nature of the benefits provided by the Fund

The Fund provides defined benefits, in which a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

Disclosures below are prepared in relation to the Fund only.

(b) Risk exposure

There are a number of risks to which the Fund exposes the Ausgrid Group. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and the Ausgrid Group will need to increase contributions to offset any shortfall.
- Longevity risk - The risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The Fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

(c) Reconciliation of the net defined benefit assets

The following table summarises the components of net benefit expense recognised in profit or loss, actuarial gains and losses recognised in other comprehensive income and funded status and amounts recognised in the statement of financial position.

18 Superannuation - defined benefit plan (continued)

(c) Reconciliation of the net defined benefit assets (continued)

	Present value of obligations $M	Fair value of Fund assets $M	Total $M
At 1 July 2022	**(252)**	**253**	**1**
Current service cost	**(2)**	**-**	**(2)**
Interest (expense)/income	**(13)**	**13**	**-**
Defined benefit superannuation (expense)/income recognised in profit or loss	**(15)**	**13**	**(2)**
Contributions by the Fund participants:			
Employers	**-**	**4**	**4**
Fund participants	**(2)**	**2**	**-**
	(2)	**6**	**4**
Remeasurements:			
Return on Fund assets, excluding amounts included in interest income	**-**	**(2)**	**(2)**
Gain from change in financial assumptions	**6**	**-**	**6**
Gain from change in liability experience	**2**	**-**	**2**
Defined benefit superannuation actuarial gain/(loss) recognised in other comprehensive income	**8**	**(2)**	**6**
Benefits paid	**19**	**(19)**	**-**
Tax and expenses paid	**1**	**(1)**	**-**
	20	**(20)**	**-**
At 30 June 2023	**(241)**	**250**	**9**

18 Superannuation - defined benefit plan (continued)

(d) Fair value of Fund assets

The fair value of Fund assets, as provided by United Super Pty Ltd (the Trustee of Cbus), reflects the total assets of the Pool B Subdivision of the Defined Benefits Section of Cbus, which comprises the defined benefit assets for all participating employers in the Pool B Subdivision. The value of defined benefit assets attributable to the Ausgrid Group cannot be separately disclosed. Refer to Note 26(f) for details on fair value hierarchy.

Asset category	Total $M	Quoted price in active markets for identical assets Level 1 $M	Significant observable input Level 2 $M	Unobservable input Level 3 $M
At 30 June 2023				
Pool B Subdivision of Cbus Defined Benefits	**1,170**	**-**	**1,170**	**-**
At 30 June 2022				
Energy Investment Fund[1]	1,767	-	1,767	-

(1) Former EISS fund

(e) Significant actuarial assumptions at the reporting date

Expected salary increase rate (excluding promotional increase)	3.00% for 2023/24; and 3.75% pa thereafter (2022: 2.95% for 2022/23; 3.00% for 2023/24; and 4.00% pa thereafter)
Rate of Consumer Price Index (**CPI**) increase	6.65% for 2023/24; 3.21% for 2024/25; 2.45% for 2025/26; 2.48% for 2026/27; 2.52% for 2027/28 and 2.50% pa thereafter (2022: 4.00% for 2022/23; 2.76% for 2023/24; 2.35% for 2024/25; 2.34% for 2025/26; 2.37% for 2026/27; 2.26% for 2027/28 and 2.50% pa thereafter)
Discount rate	5.61% pa (2022: 5.30% pa)
Pensioner mortality	The pensioner mortality rates used are as per the actuarial investigation of the Fund as at 30 June 2021. The pension mortality rates are based on experience of the Australian public sector

19 Key management personnel compensation

The Ausgrid Group defines key management personnel as those having authority and responsibility for planning, directing and controlling the activities of the Ausgrid Group as well as the Directors of the Ausgrid Group. Key management personnel comprise the Ausgrid Group's Executive Leadership Team and the Non-Executive Directors of AOP, AAP, PLUS ES and APP. Although the Non-Executive Directors are listed below, they do not have management responsibility.

Non-Executive Directors

Dr Helen Nugent AC

Ashley Barker (resigned 23 December 2022)

Belinda Gibson

Gillian Brown (appointed 4 November 2022)

Hans-Martin Aerts

Jason Peasley

Joo Hyung (Jay) Ryu

Michael Byrne

Michael Hanna

Robert Wright (resigned 4 November 2022)

Joshua Crane (appointed 23 December 2022)

Steven MacDonald

Key management personnel remuneration

The following table shows details of the remuneration recognised for key management personnel for the current and previous year, measured in accordance with Australian Accounting Standards.

	2023 **$**	2022 $
Short-term employee benefits	**12,565,683**	15,666,463
Long-term benefits	**415,837**	6,044,157
Termination benefits	**-**	10,981
Post-employment benefits	**314,983**	273,033
	13,296,503	21,994,634

20 Remuneration of auditors

During the year, the following fees were paid, or payable, for services provided by PricewaterhouseCoopers Australia, the auditor of the Ausgrid Group:

(i) Audit and other assurance services

	2023 $	2022 $
Audit and review of financial statements	**1,080,695**	995,000
Other assurance services		
Regulatory audit services	**334,930**	268,549
Ringfencing compliance audit services	**68,000**	68,000
Review of debt offering documents	**97,000**	-
IT controls review	**-**	91,000
Total remuneration for audit and other assurance services	**1,580,625**	1,422,549

(ii) Other non-assurance services

Tax compliance services	**114,500**	108,500
Accounting advisory services	**-**	25,000
Total remuneration for other non-assurance services	**114,500**	133,500
Total remuneration	**1,695,125**	1,556,049

21 Capital expenditure commitments

Commitments for the acquisition of property, plant and equipment and intangible assets not recognised in the consolidated financial statements at the reporting date is as follows:

	2023 $M	2022 $M
Within one year	**269**	283
Later than one year but no later than five years	**54**	33
	323	316

22 Leases

Lease receivables - leases as lessor

The Ausgrid Group leases out its properties, including premises, land and network assets, under operating lease agreements at market rentals, predominantly on a fixed term basis. The future minimum lease receivables under non-cancellable leases are as follows:

	2023 $M	2022 $M
Within one year	**8**	9
Later than one year but no later than five years	**18**	18
Later than five years	**5**	6
	31	33

23 Contingent liabilities and contingent assets

	2023 $M	2022 $M
Contingent liabilities		
Guarantees provided to regulatory and statutory authorities	**37**	40
Guarantees provided to external parties	**-**	6
	37	46
Contingent assets		
Potential recoveries from workers compensation claims	**3**	2
	3	2

The guarantees provided to regulatory and statutory authorities relate to bank guarantees in place in relation to the Ausgrid Group's self-insured workers compensation.

24 Group entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policies described in Note 1 for which AOP is the parent entity. All entities are incorporated in Australia.

Name of entity
AAP
Active Stream Pty Limited
APP
Ausgrid Finance Pty Limited
Ausgrid Management Pty Limited
PLUS ES
PLUS ES Management 1 Pty Limited
PLUS ES Management 2 Pty Limited

25 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities:

	2023 $M	2022 $M
Profit for the year	**296**	680
Add/(less) non-cash items:		
Depreciation and amortisation	**633**	641
Non-cash capital contributions	**(119)**	(124)
Unwinding of government grants	**(2)**	(1)
Amortisation of loan transaction costs	**20**	18
Hedge ineffectiveness	**4**	10
Capitalised interest	**(5)**	(5)
Interest accrual	**(4)**	(4)
Adjustments to SFA	**-**	3
Net loss/(gain) on disposal of property, plant and equipment	**20**	(247)
Unwinding of discount	**3**	-
Changes in assets and liabilities:		
Trade and other receivables	**(1)**	2
Contract assets	**10**	(13)
Prepayments	**(1)**	2
Inventories	**(12)**	-
Trade and other payables	**(18)**	14
Contract liabilities	**(1)**	(8)
Provisions	**(12)**	(1)
Other liabilities	**(3)**	1
Lease liabilities	**(5)**	-
Net cash inflow from operating activities	**803**	968

26 Financial risk management

(a) Financial risk management objectives and policies

The Ausgrid Group is involved in activities that expose it to a variety of financial risks including credit risk, currency risk, interest rate risk and liquidity risk. In accordance with Board approved financial risk management policies, financial instruments may be used to hedge the exposure to fluctuations in exchange rates and interest rates. The Board reviews and approves policies for managing each of the key financial risks.

Management of financial risk is carried out by a centralised treasury function which operates under Board approved policies. In addition to the centralised treasury function, external support is acquired from experts in various fields. The Board approved Ausgrid Group Treasury Policy provides clear guidelines in respect of the management of the financial risks of the Ausgrid Group and is designed to reflect the strategic risk management objectives of the Board.

The objective of the Ausgrid Group's financial risk management strategy is to protect the Ausgrid Group's cash flows, profitability and reputation and use reasonable endeavours to maintain a bbb/baa2 baseline credit assessment and not less than bbb-/baa3 (S&P Global Ratings and/or Moody's Investor Services). This includes the need to ensure that sufficient liquidity is available to fund its strategic business plans. Identification and analysis of relevant financial risks and their impact on the achievement of the Ausgrid Group's objectives forms the basis for determining how such risks should be managed. The forecast financial position for the Ausgrid Group is regularly monitored and financial instruments may be used within approved guidelines to hedge exposure to fluctuations in exchange rates and interest rates.

26 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of sustaining a financial loss as a result of the default by a counterparty to make full and timely payments on transactions which have been executed, after allowing for set-offs which are legally enforceable.

The credit risk on financial assets of the Ausgrid Group which have been recognised on the consolidated statement of financial position is the carrying amount, net of any expected credit losses.

Credit risk arises from investments in cash and cash equivalents with banks, derivative financial instruments and credit exposure to customers and/or suppliers. Credit risk also arises from bank facilities which offer committed lines of credit, overdraft facilities, transaction banking services and financial guarantees, which may not be honoured when relied upon. The Ausgrid Group's credit exposure is predominantly with investment grade rated corporations or government owned entities in the energy industry. Where a counterparty is a non-government owned corporation, its credit worthiness is monitored in accordance with the Ausgrid Group Treasury Policy.

The Ausgrid Group Treasury Policy outlines how credit risk exposure will be measured. All credit and recovery risks associated with trade receivables have been provided for in the financial statements.

The credit risk on trade and other receivables and accrued income from unread meters of the Ausgrid Group that have been recognised in the consolidated statement of financial position, is generally the carrying amount net of any impairment provision.

There is no significant credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The loss allowance provision as at 30 June 2023 is determined as follows. The expected credit losses below also incorporate forward looking information:

	Current	Less than 3 months past due	3 to 6 months past due	Later than 6 months past due	Total
2023					
Expected loss rate	**0.10%**	**22.56%**	**98.88%**	**26.43%**	
Gross carrying amount ($M)	**383**	**6**	**8**	**1**	**398**
Loss allowance provision ($M)	**(1)**	**(1)**	**(8)**	**-**	**(10)**
Net receivables and contract assets	**382**	**5**	**-**	**1**	**388**
2022					
Expected loss rate	0.16%	39.73%	30.30%	23.62%	
Gross carrying amount ($M)	565	8	2	3	578
Loss allowance provision ($M)	-	(3)	(1)	(1)	(5)
Net receivables and contract assets	565	5	1	2	573

(c) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Ausgrid Group may also be exposed to foreign currency risk in respect of purchases of capital equipment that are denominated in a currency other than A$.

26 Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

The Ausgrid Group uses forward exchange contracts and CCIRS to hedge its foreign currency risk for all foreign exchange exposures that exceed $5 million in value.

The Ausgrid Group may issue debt in a foreign currency and uses CCIRS contracts to hedge foreign currency risk arising from the foreign currency debt.

Sensitivity

The Ausgrid Group is primarily exposed to changes in US$/A$ and EUR/A$ exchange rates. The sensitivity of profit or loss and other components of equity to changes in the spot exchange rates arises from US$ and EUR denominated financial instruments designated in cash flow hedges.

	Impact on post-tax profit		Impact on other components of equity	
	2023 $M	2022 $M	**2023 $M**	2022 $M
US$/A$ exchange rate - increase 10%[1]	**-**	3	**(6)**	(18)
US$/A$ exchange rate - decrease 10%[1]	**-**	(2)	**6**	20
EUR/A$ exchange rate - increase 10%[1]	**3**	2	**(2)**	-
EUR/A$ exchange rate - decrease 10%[1]	**(4)**	(5)	**3**	2

(1) Holding all other variables constant

The Ausgrid Group has US$ and EUR denominated foreign currency borrowings. The effects of the foreign currency related hedging instruments on the Ausgrid Group's financial position and performance are as follows:

Derivative financial instruments - CCIRS (USPP and US144A)

	2023	2022
Carrying amount ($M)	**529**	479
Notional amount in US$ ($M)	**2,692**	2,630
Maturity	**Oct 2027 - Jul 2038**	May 2023 - Oct 2032
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**506**	459
Change in value of derivative used to determine hedge effectiveness ($M)	**505**	463
Weighted average hedged exchange rate for the year	**0.76**	0.78

Derivative financial instruments - CCIRS (EMTN)

	2023	2022
Carrying amount ($M)	**43**	(94)
Notional amount in EUR ($M)	**1,175**	1,175
Maturity	**Jul 2025 - Oct 2031**	Jul 2025 - Oct 2031
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**36**	(105)
Change in value of derivative used to determine hedge effectiveness ($M)	**38**	(108)
Weighted average hedged exchange rate for the year	**0.63**	0.62
Balances remaining in the cash flow hedge reserve for hedge relationships terminated due to novation	**-**	(1)

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Ausgrid Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Ausgrid Group to cash flow interest rate risk.

In accordance with Board approved policies, the Ausgrid Group ensures that its debt portfolio is managed within a risk framework including weighted average debt maturity and debt maturity in any 12 month period. As at the end of the reporting period, the Ausgrid Group has derivative financial instruments in place (IRS and CCIRS) which have been valued using valuation techniques with market observable inputs.

Instruments used by the Ausgrid Group

IRS are used to hedge interest cost and manage the variable rate exposure of total debt. Interest rates are fixed by putting in place IRS contracts which exchange floating rate obligations into fixed rate obligations. The interest cost on 97.6% (2022: 98.5%) of total debt outstanding is fixed.

As at the end of the reporting period, the Ausgrid Group had the following variable rate borrowings and IRS contracts outstanding:

2023	**Weighted average interest rate %**	**Balance $M**	**% of total loans**
Bank overdrafts, bank loans and note issuances[1]	**5.08**	**11,662**	**100.0%**
IRS (notional principal amount)[2]	**2.14**	**11,385**	**97.6%**
Net exposure to cash flow interest rate risk	**4.40 - 5.57**	**277**	**2.4%**

(1) Includes fixed rate note issuance swapped into floating rate A$ obligation

(2) Excludes forward starting swaps commencing post 30 June 2023

2022			
Bank overdrafts, bank loans and note issuances	1.66	11,830	100.0%
IRS (notional principal amount)	2.14	11,650	98.5%
Net exposure to cash flow interest rate risk	0.93 - 2.10	180	1.5%

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The interest rate profile for the Ausgrid Group's interest bearing financial instruments (excluding lease liabilities) at the reporting date was:

	2023		2022	
	Notional in A$ $M	**Notional swapped to fixed A$ via CCIRS/IRS $M**	Notional in A$ $M	Notional swapped to fixed A$ via CCIRS/IRS $M
A$ denominated fixed rate liability	**1,720**	**1,720**	1,720	1,720
US$ denominated fixed rate liability	**2,705**	**2,705**	3,364	3,364
EUR denominated fixed rate liability	**1,882**	**1,882**	1,882	1,882
A$ denominated floating rate liability	**5,355**	**5,078**	4,864	4,684
	11,662	**11,385**	11,830	11,650

The proportion of net debt exposed to floating rates is 2.4% (2022: 1.5%)

The Ausgrid Group accounts for all its fixed rate financial assets and liabilities at amortised cost. The Ausgrid Group has variable rate financial liabilities at the reporting date. The Ausgrid Group's borrowings are 97.6% hedged (2022: 98.5%). A change in interest rates by one percentage point at the reporting date would have an impact on the Ausgrid Group's profit or loss or equity as discussed below.

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity are sensitive to an increase/(decrease) in the fair value of the cash flow hedges of borrowings.

	Impact on post-tax profit		**Impact on other components of equity**	
	2023 $M	2022 $M	**2023 $M**	2022 $M
Interest rates - increase by 1%[1]	**6**	2	**363**	393
Interest rates - decrease by 1%[1]	**(3)**	(5)	**(387)**	(418)

(1) Holding all other variables constant

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The effects of the interest rate related hedging instruments on the Ausgrid Group financial position and performance are as follows:

Derivative financial instruments - IRS[1]

	2023	2022
Carrying amount ($M)	**628**	622
Notional amount ($M)	**13,565**	13,560
	Jul 2023 - Jul	Jul 2022 - Jul
Maturity	**2033**	2032
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**648**	648
Change in value of derivative used to determine hedge effectiveness ($M)	**648**	649
Weighted average hedged rate for the year (%)	**2.21**	2.22
Balances remaining in the cash flow hedge reserve for hedge relationships terminated due to novation	**(20)**	(27)

(1) Designated as fair value hedges and cash flow hedges

Derivative financial instrument - CCIRS

Carrying amount ($M)	**(529)**	(293)
Notional amount ($M)	**5,987**	5,602
	Jul 2025 - Jul	May 2023 - Oct
Maturity	**2038**	2032
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**(527)**	(255)
Change in value of derivative used to determine hedge effectiveness ($M)	**(529)**	(293)
Weighted average hedged rate for the year (%)	**3.16**	2.92

(d) Capital risk management

The Ausgrid Group's objectives are to maintain an appropriate capital structure to enable an appropriate return on equity and efficient investment decisions to be made on a commercial basis.

The Ausgrid Group maintains an appropriate capital structure in consideration of the following criteria:

- Maintain a bbb/baa2 baseline credit assessment and not less than bbb-/baa3 in accordance with the Ausgrid Group Treasury Policy.
- Provision of an appropriate return to shareholders without compromising the principles or objectives of the Ausgrid Group Treasury Policy.
- Ability to meet key debt service criteria, based on industry benchmarks.
- Capacity to finance the approved capital expenditure program through internally generated cash flows and debt, with consideration of the current phase of the investment cycle.
- Provision of sufficient flexibility for relevant contingencies.

Key financial covenants include a debt to RAB ratio of less than 90% and a cash flow coverage ratio of greater than 1.2 times interest expense. These have been complied with during the year.

26 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk of difficulty in ensuring the availability of sufficient funds to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Ausgrid Group Treasury Policy provides an appropriate framework for the management of the Ausgrid Group's short, medium and long-term funding and liquidity management requirements.

The Ausgrid Group's liquidity risks are managed with the availability of readily accessible standby facilities and other funding arrangements placing surplus funds on deposit.

(i) Maturities of financial liabilities

The table below categorises the Ausgrid Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For the derivatives, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

26 Financial risk management (continued)

(e) Liquidity risk (continued)

(i) Maturities of financial liabilities (continued)

Contractual maturities of financial liabilities 2023	Less than 6 months $M	6 - 12 months $M	Between 1 and 2 years $M	Between 2 and 5 years $M	Over 5 years $M	Total contractual cash flows $M	Carrying amount $M
Non-derivatives							
Trade payables	**327**	**-**	**-**	**-**	**-**	**327**	**327**
Loans and notes	**2,125**	**435**	**1,551**	**5,722**	**4,438**	**14,271**	**11,546**
Lease liabilities	**8**	**8**	**7**	**20**	**243**	**286**	**67**
Total non-derivatives	**2,460**	**443**	**1,558**	**5,742**	**4,681**	**14,884**	**11,940**
Derivatives							
IRS	**19**	**25**	**44**	**55**	**3**	**146**	**128**
CCIRS	**48**	**63**	**101**	**72**	**15**	**299**	**204**
Total derivatives	**67**	**88**	**145**	**127**	**18**	**445**	**332**
	2,527	**531**	**1,703**	**5,869**	**4,699**	**15,329**	**12,272**
2022							
Non-derivatives							
Trade payables	338	-	-	-	-	338	338
Loans and notes	342	916	1,765	5,331	5,343	13,697	11,740
Lease liabilities	4	4	7	11	128	154	38
Total non-derivatives	684	920	1,772	5,342	5,471	14,189	12,116
Derivatives							
IRS	(1)	13	37	80	10	139	124
CCIRS	4	44	80	113	24	265	248
Total derivatives	3	57	117	193	34	404	372
	687	977	1,889	5,535	5,505	14,593	12,488

26 Financial risk management (continued)

(f) Recognised fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table presents the Ausgrid Group's assets and liabilities measured and recognised at fair value at the reporting date.

2023	Notes	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Recurring fair value measurements					
Derivatives	15	**-**	**674**	**-**	**674**
Total		**-**	**674**	**-**	**674**
Non-recurring fair value measurements					
Assets classified as held for sale	8	**-**	**-**	**1**	**1**
Total		**-**	**-**	**1**	**1**
2022					
Recurring fair value measurements					
Derivatives	15	-	715	-	715
Total		-	715	-	715
Non-recurring fair value measurements					
Assets classified as held for sale	8	-	-	5	5
Total		-	-	5	5

The carrying amounts of financial instruments which are not measured at fair value in the statement of financial position approximate their fair values.

(g) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using maximum observable market input data, which include prices from observable current market transactions and dealer quotes for similar instruments.

26 Financial risk management (continued)

(h) Non-recurring fair value measurements

Non-current assets classified as held for sale during the reporting period are measured at the lower of their carrying amount and FVLCOD and are included in Level 3.

Assets held for sale comprises land and buildings transferred from property, plant and equipment. The valuation techniques and significant input used in the calculation have been discussed under Note 1(n).

(i) Fair value versus carrying amount

The carrying amounts and fair values of financial assets and liabilities at the reporting date are:

		2023		2022	
	Notes	**Carrying amount $M**	**Fair value $M**	Carrying amount $M	Fair value $M
Financial assets carried at amortised cost					
Cash and cash equivalents		**248**	**248**	432	432
Trade and other receivables	7	**108**	**108**	283	283
Contract assets	7	**280**	**280**	290	290
Total financial assets		**636**	**636**	1,005	1,005
Financial liabilities carried at amortised cost					
Loans and notes	12(a)	**11,546**	**11,464**	11,740	11,580
Lease liabilities	12	**67**	**67**	38	38
Trade and other payables	11	**327**	**327**	338	338
Deposits	14	**1**	**1**	1	1
Total financial liabilities		**11,941**	**11,859**	12,117	11,957

27 Events occurring after the reporting period

On 27 July 2023, proceeds from the USPP were used to fully repay SFA Facility B4 and partially repay Capex Facility C. Refer to Note 12 for details.

Other than the above mentioned matter, no other matter or circumstance has occurred subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Ausgrid Group, the results of those operations or the state of affairs of the Ausgrid Group in subsequent financial years.

In the Directors' opinion:

(a) the consolidated financial statements and notes, as set out on pages 2 to 58 are in accordance with the Partnership Deeds, and:

  (i) comply with Accounting Standards as described in Note 1 to the consolidated financial statements and other mandatory professional reporting requirements;

  (ii) give a true and fair view of the Ausgrid Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and in accordance with the accounting policies described in Note 1 to the consolidated financial statements; and

(b) there are reasonable grounds to believe that the Ausgrid Group will be able to pay its debts as and when they become due and payable.

Note 1(a)(i) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer consistent with the listed entity requirement under section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Dr Helen Nugent AC 22/08/2023 4:23 PM
Director

22 August 2023

Gillian Brown 22/08/2023 4:55 PM
Director

22 August 2023

Independent auditor's report

To the partners of the Ausgrid Group

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of the Ausgrid Group as at 30 June 2023 and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1.

The Ausgrid Group (the Group) comprises Ausgrid Operator Partnership (AOP), Ausgrid Asset Partnership (AAP), Aurora Property Partnership (APP) and PLUS ES Partnership (PLUS ES) and the respective entities that they controlled at year end or from time to time during the financial year.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*	*Key audit matter*
• For the purpose of our audit we used overall materiality of $34 million, which represents approximately 2.5% of the Group earnings before interest, tax, depreciation, and amortisation (EBITDA). The EBITDA is adjusted to exclude other income earned outside of the ordinary course of business for the Group, such as gains on sales of assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose EBITDA because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group has operations across Sydney, the Central Coast and the Hunter region within New South Wales, with the accounting functions led from the Group's corporate head office in Sydney and Wallsend in Newcastle. • The Ausgrid Group is a stapled structure comprised of AOP, AAP, PLUS ES and APP. For the purpose of preparing these consolidated financial statements, AOP is identified as the deemed parent. • We conducted an audit of the financial information of the Group which consists of AOP, AAP, PLUS ES, and APP.	• Amongst other relevant topics, we communicated the following key audit matter to the Audit Committee: ○ Borrowings and associated derivatives • This has been further described in the *Key audit matter* section of our report.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Borrowings and associated derivatives ***(Refer to note 12 'Borrowings' and Note 15 'Derivatives')*** The Group had $11,546m of borrowings at 30 June 2023. The accounting for the Group's borrowings was considered a key audit matter due to: 1. the borrowings being the largest liability in the consolidated statement of financial position. 2. the financial significance of the two refinancing transactions (described in note 12) in the current year to borrowings and borrowing cost balances. 3. the derivatives established upon refinancing were considered to be significant due to the large notional values, composition of cross currency and interest rate swaps and the long time to maturity.	We performed the following procedures, amongst others over borrowings and associated derivatives: • Obtained confirmations directly from the Group's banks and private lenders to confirm the outstanding balance and key terms of borrowings and derivatives at balance date. • Recalculated the foreign currency-denominated borrowings conversion to AUD at balance date. • Read the most up-to-date agreements between Ausgrid Finance Pty Limited and its financiers to develop an understanding of any relevant changes to key terms of borrowings. • Assessed the accounting treatment of borrowing costs arising from new arrangements and borrowing costs related to renewed facilities. • Developed an understanding of the relevant covenants, performed a recalculation of the covenants, and considered the covenant headroom available. • We assessed whether the Group's classification of borrowings as current or non-current was consistent with the requirements of Australian Accounting Standards. • Inspected relevant bank statements to agree the fund flows with the drawdown and repayment movements of the borrowings during the year. • For a sample of swap contracts, we agreed the details recorded in the Group's Treasury Management system to key terms in the contracts, such as payment terms, interest rates, and start and end dates. • Together with PwC financial instrument experts, for a sample of derivatives, we assessed the Group's valuation and compared the inputs to external evidence including credit spreads and interest rate curves. • Assessed a sample of the hedge accounting calculations and the hedge accounting journals for the interest rate swaps, cross currency interest rate swaps, and foreign exchange forwards with respect to the requirements of Australian Accounting Standards. • Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter - basis of accounting and restriction on distribution and use

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared by the directors to meet the information needs of the partners of AOP, AAP, PLUS ES and APP as required under the Partnership Deeds dated 20 October 2016 (AOP and AAP), 1 November 2017 (PLUS ES), and 27 April 2023 (APP). As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the partners of the Ausgrid Group.

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the accounting policies described in Note 1, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Thomason
Partner

Sydney
22 August 2023

Glossary

AAP	Ausgrid Asset Partnership
AASB	Australian Accounting Standards Board
AASB 8	AASB 8 Operating Segments
AASB 9	AASB 9 Financial Instruments
AASB 13	AASB 13 Fair Value Measurement
ACS	Alternative Control Services
AER	Australian Energy Regulator
AMTN	Australian Medium Term Note
ANS	Ancillary Network Services
AOP	Ausgrid Operator Partnership
APG	APG Asset Management
APP	Aurora Property Partnership
ASF	Asian Syndicated Facility
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
A$	Australian Dollars
Ausgrid Group	AOP (parent entity), AAP, PLUS ES, APP and their respective controlled entities
BBSW	Bank Bill Swap Rate
Blue AAP	Blue Asset Partner Trust
Blue AOP	Blue Op Partner Trust
Blue APP	BLUE Aurora Partner Trust
Blue PLUS ES	Blue PLUS ES Partner Trust
Cbus	Construction and Building Unions Superannuation Fund
CCF	Climate Change Fund
CCIRS	Cross Currency Interest Rate Swaps
CGU	Cash-generating Unit
CODM	Chief Operating Decision Makers as defined by AASB 8 Operating Segments
CPI	Consumer Price Index
CTD	Common Terms Deed
DNSP	Distribution Network Service Provider

Glossary (continued)

DUOS	Distribution Use of System
EISS	Energy Industries Superannuation Scheme
EMTN	Euro Medium Term Note
ERIC Partners	Electricity Retained Interest Corporation vehicles
EUR	Euro
FVLCOD	Fair Value Less Costs of Disposal
GST	Goods and Services Tax
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
IRS	Interest Rate Swaps
IT	Information Technology
LIBOR	London Interbank Offered Rate
MAR	Maximum Allowable Revenue
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NSP	Network Service Provider
NSW	New South Wales
NUOS	Network Use of System
PCB	Polychlorinated Biphenyls
PLUS ES	PLUS ES Partnership
RAB	Regulated Asset Base
ROU	Right of Use
SaaS	Software-as-a-Service
S&P	Standard and Poor's
SCS	Standard Control Services
SOFR	Secured Overnight Financing Rate
SFA	Syndicated Facility Agreement
the Fund	Pool B Subdivision of the Defined Benefits Section of Cbus. It provides defined benefits and is referred to as 'the Fund'
TNSP	Transmission Network Service Provider

Glossary (continued)

TUOS	Transmission Use of System
US$	United States Dollars
USPP	US Private Placement
VIU	Value in Use

Ausgrid Group

Annual report
30 June 2022

Ausgrid Group

Annual report
30 June 2022

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	Notes	2022 $M	2021 $M
Revenue	3	**2,397**	2,330
Distribution of energy costs	4(a)	**(436)**	(425)
Depreciation and amortisation expense	4(c)	**(641)**	(678)
Finance costs	4(d)	**(443)**	(446)
Employee benefits expense	4(b)	**(251)**	(297)
Other expenses	4(b)	**(238)**	(244)
Other income		**45**	-
Gain/(loss) on disposal of property, plant and equipment		**247**	(6)
Profit before income tax		**680**	234
Income tax expense		**-**	-
Profit for the year		**680**	234
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges		**1,122**	170
Reclassification to profit or loss		**243**	245
Income tax relating to these items	5	**(407)**	(124)
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation actuarial gains	18(c)	**-**	24
Income tax relating to these items	5	**-**	(8)
Other comprehensive income for the year		**958**	307
Total comprehensive income for the year		**1,638**	541
Profit for the year attributable to Partners:			
Ausgrid Operator Partnership (**AOP**)		**156**	168
Ausgrid Asset Partnership (**AAP**)		**488**	60
PLUS ES Partnership (**PLUS ES**)		**36**	6
Profit for the year		**680**	234
Total comprehensive income for the year attributable to Partners:			
AOP		**156**	184
AAP		**1,438**	351
PLUS ES		**44**	6
Total comprehensive income for the year		**1,638**	541

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Ausgrid

Ausgrid Group
Consolidated statement of financial position
As at 30 June 2022

	Notes	2022 $M	2021 $M
Current assets			
Cash and cash equivalents		**432**	249
Trade and other receivables	7	**281**	94
Contract assets	7	**290**	277
Prepayments		**32**	34
Inventories		**22**	22
Assets classified as held for sale	8	**5**	5
Derivative financial assets	15	**68**	-
Total current assets		**1,130**	681
Non-current assets			
Property, plant and equipment	9	**17,013**	16,931
Intangible assets	10	**3,529**	3,582
Derivative financial assets	15	**1,019**	510
Deferred tax assets	6	**-**	173
Other receivables	7	**2**	3
Defined benefit plan asset	18	**1**	-
Total non-current assets		**21,564**	21,199
Total assets		**22,694**	21,880
Current liabilities			
Trade and other payables	11	**338**	302
Contract liabilities	14	**10**	8
Borrowings	12	**727**	1,364
Provisions	13	**301**	275
Deferred government grants		**2**	2
Other liabilities	14	**6**	5
Total current liabilities		**1,384**	1,956
Non-current liabilities			
Contract liabilities	14	**67**	64
Borrowings	12	**11,051**	11,237
Derivative financial liabilities	15	**372**	632
Provisions	13	**64**	105
Deferred government grants		**36**	38
Deferred tax liabilities	6	**234**	-
Total non-current liabilities		**11,824**	12,076
Total liabilities		**13,208**	14,032
Net assets		**9,486**	7,848

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Notes	2022 $M	2021 $M
Equity attributable to Partners of AOP			
Contributed equity	16	**1,716**	1,716
Reserves		**23**	23
Retained earnings	17	**62**	(94)
Total equity attributable to Partners of AOP		**1,801**	1,645
Equity attributable to Partners of AAP			
Contributed equity	16	**7,021**	7,021
Reserves		**523**	(427)
Retained earnings	17	**(64)**	(552)
Total equity attributable to Partners of AAP		**7,480**	6,042
Equity attributable to Partners of PLUS ES			
Contributed equity	16	**183**	183
Reserves		**8**	-
Retained earnings	17	**14**	(22)
Total equity attributable to Partners of PLUS ES		**205**	161
Total equity attributable to Partners of the Ausgrid Group		**9,486**	7,848

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of changes in equity
For the year ended 30 June 2022

	Contributed equity $M	Cash flow hedge reserve $M	Defined benefit superannuation reserve $M	Retained earnings $M	Total $M
Balance at 1 July 2021	**8,920**	**(427)**	**23**	**(668)**	**7,848**
Profit for the year	**-**	**-**	**-**	**680**	**680**
Other comprehensive income					
Changes in cash flow hedges - AAP and PLUS ES	**-**	**958**	**-**	**-**	**958**
Total comprehensive income for the year	**-**	**958**	**-**	**680**	**1,638**
Balance at 30 June 2022	**8,920**	**531**	**23**	**12**	**9,486**
Closing balance of equity attributable to					
AOP	**1,716**	**-**	**23**	**62**	**1,801**
AAP	**7,021**	**523**	**-**	**(64)**	**7,480**
PLUS ES	**183**	**8**	**-**	**14**	**205**
Balance at 30 June 2022	**8,920**	**531**	**23**	**12**	**9,486**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Contributed equity $M	Cash flow hedge reserve $M	Defined benefit superannuation reserve $M	Retained earnings $M	Total $M
Balance at 1 July 2020	8,920	(718)	7	(902)	7,307
Profit for the year	-	-	-	234	234
Other comprehensive income					
Changes in cash flow hedges - AAP and PLUS ES	-	291	-	-	291
Defined benefit superannuation actuarial gains - AOP	-	-	16	-	16
Total other comprehensive income	-	291	16	-	307
Total comprehensive income for the year	-	291	16	234	541
Balance at 30 June 2021	8,920	(427)	23	(668)	7,848
Closing balance of equity attributable to					
AOP	1,716	-	23	(94)	1,645
AAP	7,021	(427)	-	(552)	6,042
PLUS ES	183	-	-	(22)	161
Balance at 30 June 2021	8,920	(427)	23	(668)	7,848

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of cash flows
For the year ended 30 June 2022

	Notes	2022 $M	2021 $M
Cash flows from operating activities			
Receipts from customers		**2,270**	2,214
Payments to suppliers and employees		**(880)**	(970)
Interest received		**1**	1
Interest paid		**(423)**	(443)
Net cash inflow from operating activities	25	**968**	802
Cash flows from investing activities			
Payments for property, plant and equipment		**(600)**	(498)
Payments for intangible assets		**(44)**	(39)
Proceeds from sale of property, plant and equipment		**194**	60
Net cash outflow from investing activities		**(450)**	(477)
Cash flows from financing activities			
Proceeds from borrowings		**845**	1,455
Repayment of borrowings		**(1,173)**	(1,929)
Transaction costs paid		**(7)**	(5)
Net cash outflow from financing activities		**(335)**	(479)
Net increase/(decrease) in cash and cash equivalents		**183**	(154)
Cash and cash equivalents at the beginning of the year		**249**	403
Cash and cash equivalents at the end of the year		**432**	249

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

This annual report is for the consolidated financial statements of AOP (parent entity), AAP, PLUS ES and their respective controlled entities (**Ausgrid Group**) for the year ended 30 June 2022.

Ausgrid Group is domiciled in Australia. Its registered office and principal place of business is 24-28 Campbell Street, Sydney NSW 2000.

Ausgrid Group is a stapled structure comprised of AOP, AAP and PLUS ES. The accounting standards require the nomination of one parent entity in a consolidated group, so for the purpose of preparing these consolidated financial statements only, AOP was identified as the parent. AOP and its partnership entities, AAP and PLUS ES, were established on 20 October 2016 (AOP and AAP) and 1 November 2017 (PLUS ES). A consortium comprising IFM Investors, AustralianSuper and APG Asset Management (**APG**) holds 50.4% partnership interest and the New South Wales (**NSW**) State Government (through entities established in accordance with the *Electricity Retained Interest Corporation Act 2015 (NSW)*) holds 49.6% partnership interest in AOP, AAP and PLUS ES.

On 27 June 2022, AustralianSuper sold 16.8% interest in the Ausgrid Group to APG, a Netherlands based pension provider and asset manager. As a result of the sale, AustralianSuper reduced its direct holding in the Ausgrid Group from 25.2% to 8.4%. The remaining holdings of the NSW State Government (49.6%) and IFM Investors (25.2%) remain unchanged.

Pursuant to the Partnership Deeds, all the Partners agreed to ensure equivalence in that the proportion of Partnership interest held by each Partner should be identical between AOP, AAP and PLUS ES.

On 1 December 2016, AAP entered into a 99 year finance lease to lease the Ausgrid Group's electricity distribution and transmission network assets from the NSW State Government. On the same date, these assets were leased from AAP to AOP through a 98 year 364 day sublease, and AOP was granted a license to operate the network assets by the NSW State Government.

The Ausgrid Group is the controller, operator and manager of the distribution network and parts of the transmission network covering Sydney, the Central Coast and the Hunter Region of NSW and provides electricity services to both residential and commercial customers in NSW. AOP is both a Distribution Network Service Provider (**DNSP**) and a Transmission Network Service Provider (**TNSP**) in the National Electricity Market (**NEM**) which is regulated by the Australian Energy Regulator (**AER**). Over a regulatory control period, the AER determines the annual expected revenue that the Ausgrid Group is allowed to recover from customers based on the framework set out in the National Electricity Law (**NEL**) and National Electricity Rules (**NER**). The Ausgrid Group distributes electricity on behalf of energy retailers to their customers within Ausgrid Group's network area. The retailers pay the Ausgrid Group for the provision of network services to their customers according to the regulated network tariffs approved by the AER, and for related metering and ancillary network services provided to the retailers' customers.

The Ausgrid Group also delivers street lighting services to local councils and unregulated services with a focus on contestable metering and infrastructure services.

These financial statements were authorised for issue by the Directors on 24 August 2022.

(a) Basis of preparation

These general purpose financial statements have been prepared to meet the information needs of the Partners of AOP, AAP and PLUS ES as required under the Partnership Deeds dated 20 October 2016 (AAP and AOP) and 1 November 2017 (PLUS ES), and in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (**AASB**). The Ausgrid Group is a for-profit entity for the purpose of preparing the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Compliance with IFRS

The consolidated financial statements of the Ausgrid Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(ii) Historical cost convention

These financial statements are prepared on a historical cost basis, except for the following:

- derivative financial instruments which are measured at their fair value;
- defined benefit plan which is measured at fair value; and
- assets classified as held for sale which are measured at the lower of their carrying value or Fair Value Less Costs of Disposal (**FVLCOD**).

(iii) Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Ausgrid Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

(iv) Going concern

As at 30 June 2022, the Ausgrid Group had net current liabilities of $254 million (30 June 2021: $1,275 million) due to $723 million of borrowings being classified as current borrowings as it matures within the next 12 months (refer to Note 12 for details).

The Directors have considered the following factors in determining whether the Ausgrid Group can pay its debts as and when they fall due for the next 12 months:

- The Ausgrid Group generated net operating cash inflows of $968 million for the year ended 30 June 2022 (2021: $802 million). The Ausgrid Group is forecasting a positive cash balance for the next 12 months.
- The Ausgrid Group has available cash and cash equivalents of $432 million (2021: $249 million) and undrawn bank facilities of $475 million as at 30 June 2022 (2021: $473 million).
- The Ausgrid Group's credit rating was reaffirmed by Moody's in October 2021 and Standard and Poor's (**S&P**) in July 2022 with a stable rating outlook. This supports continued access to bank lending and capital markets.
- The Ausgrid Group Treasury Policy requires that the refinancing process for borrowing facilities to be commenced no later than 12 months prior to maturity date. Consistent with this policy, key bond program documentation is updated or reviewed annually to facilitate potential bond issuance in a wide range of capital markets. Management also continues to actively engage with the Ausgrid Group's core bank lenders to support the Ausgrid Group with potential bank debt issuance when and if required.
- According to the Partnership Deeds, each Partner is responsible for discharging the liabilities of the Partnerships in proportion with their respective Partnership interest, and each Partner indemnifies the other Partners from the default of the liabilities. Accordingly, the Partners will provide continuing financial support so that the Ausgrid Group is able to pay its debts as and when they fall due.

Based on the factors above, the consolidated financial statements have been prepared on a going concern basis.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Ausgrid Group as at 30 June 2022. Group transactions, balances and unrealised gains and losses on transactions between group entities are eliminated.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Ausgrid Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Australian Dollars (**AUD**), which is the functional and presentation currency of each entity in the Ausgrid Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income or operating expenses.

(d) Revenue recognition

Revenue is recognised when the relevant performance obligations embedded in contracts with customers are satisfied, i.e. when the control of a good or service transfers to a customer. Performance obligations are completed at a point in time or over time. Revenue is recognised for the major business activities of the Ausgrid Group as follows:

(i) Network use of system revenue

Network Use of System (**NUOS**) revenue represents the rendering of electricity network services to customers within the Ausgrid Group's network area. Upon delivery of electricity, customers receive and consume the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the ‘right to invoice’ practical expedient, and recognises revenue based on the billing amount which is determined based on the relevant tariff multiplied by the electricity consumption volume, as well as the number of network access days and a demand or capacity charge (if applicable). The Ausgrid Group bills retailers weekly and monthly. Revenue associated with unbilled services is recognised as described in unread meters below.

NUOS revenue includes three components: Distribution Use of System (**DUOS**) revenue, Transmission Use of System (**TUOS**) revenue and revenue to recover the Ausgrid Group’s annual contribution to the NSW Climate Change Fund (**CCF**). DUOS revenue relates to customer use of the Ausgrid Group’s distribution network. TUOS revenue relates to customer use of the Ausgrid Group's transmission network, and also includes revenue to recover transmission costs paid to TNSPs and embedded generators.

(ii) Excess/shortfall in regulatory revenue

(a) DUOS

The Ausgrid Group's allowed DUOS revenues for a five year regulatory period are set by the AER as part of the regulatory determination process. Under this framework, where such DUOS revenues exceed or fall below the Ausgrid Group's Maximum Allowable Revenue (**MAR**), as determined by the AER, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(b) TUOS

TUOS revenue relates to customer use of the Ausgrid Group’s transmission network allowed under the MAR, and also includes revenue to recover transmission costs paid to TNSPs and embedded generators. Where such TUOS revenue exceeds or is below actual transmission costs paid to TNSPs and embedded generators, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(ii) Excess/shortfall in regulatory revenue (continued)

(c) CCF revenue

CCF revenue operates as a pass-through to customers based on payments made to the NSW CCF. Where such CCF revenue exceeds or is below actual contributions paid to the NSW Office of Environment & Heritage, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(iii) Unread meters

Applying the expected value method, the unread meters accrual is an estimate of the NUOS charges associated with the rendering of electricity distribution services not invoiced at the end of each reporting period. The accrual for unread meters includes both meters that have been read but not yet billed and meters that have not been read as at the reporting date. The methodology used by the Ausgrid Group reflects a bottom up approach where an accrual is estimated for all unread meters within the Ausgrid Group's network area. The accrual is calculated for each component of the network price including peak, shoulder and off peak electricity consumption, network access, demand and capacity charges.

The Ausgrid Group assesses the unread meters accrual at the end of each reporting period based on the expected value method (as described above) and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

(iv) Transmission revenue

Transmission revenue represents revenue from Transgrid from their use of the Ausgrid Group's transmission assets. Upon the use of Ausgrid Group's transmission assets, Transgrid receives and consumes the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the 'right to invoice' practical expedient and recognises revenue based on the billing amount.

(v) Capital contributions

Capital contributions represent non-cash capital contributed by customers and developers to the Ausgrid Group's distribution network.

Standard Control Services (**SCS**) capital contributions are contributed mainly by developers, who are not ongoing customers of the Ausgrid Group. Revenue is recognised at fair value at a point in time when the connection to the network is completed and the asset is energised.

Alternative Control Services (**ACS**) capital contributions represent street lighting capital contributions where the Ausgrid Group assumes an ongoing maintenance obligation to the customer who contributed the asset. The fair value of capital contributions from these specific customers are treated as contract liabilities and recognised as revenue over the ongoing maintenance period, i.e. the useful life of the asset contributed.

(vi) Street lighting revenue

Street lighting revenue relates to the ongoing maintenance and replacement of street lighting assets. As the street lighting maintenance and replacement services are provided continuously to the customer, it is treated as one performance obligation. Revenue is recognised over time when the street lighting services are provided.

(vii) Ancillary network services revenue

Ancillary Network Services (**ANS**) revenue relates to non-routine connection and other ad hoc metering services provided to individual customers on an as needed basis. Depending on the service, it can be at the request of an electricity retailer, accredited service provider or end customer. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(viii) Metering revenue

Metering revenue relates to ACS regulated metering. ACS regulated metering service charges represent the ongoing provision of metering services and metering data services for meters within the Ausgrid Group's network area (type 5 and 6 meters). This is a daily charge consisting of both capital and non-capital components. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

(ix) Unregulated revenue

Unregulated revenue is made up of unregulated metering revenue and other external revenue. Unregulated metering revenue represents the ongoing provision of metering services and metering data services for contestable meters (type 1 to 4 meters). Other external revenue mainly consists of rental income and infrastructure services revenue. Infrastructure services revenue represents revenue for design and construction of electrical and fibre infrastructure, and instrument calibration. Revenue is recognised over time when the services are delivered and/or the relevant performance obligations are satisfied.

(x) Government grants

Government grants are recognised in the statement of financial position initially as deferred revenue when they are received, and released to income when the Ausgrid Group complies with the conditions attaching to them. Grants that compensate the Ausgrid Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Ausgrid Group for expenses incurred are recognised in profit or loss in the same period in which the expenses are incurred.

(xi) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Ausgrid Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Income tax

Under tax law in Australia, the partnerships within the Ausgrid Group are not subject to tax, as each Partner reports its share of income from the partnerships in its own tax return.

The corporate entities within the Ausgrid Group have no taxable income. Therefore, there is no income tax expense or income tax payable for the year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(f) Leases

The Ausgrid Group leases various premises including network, depot and office facilities. Lease payments under these leases vary, some of which are subject to annual, biennial or triennial reviews to reflect market rentals.

(i) Measurement and recognition of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Ausgrid Group under residual value guarantees;
- the exercise price of a purchase option if the Ausgrid Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Ausgrid Group exercising that option.

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

(i) Measurement and recognition of lease liabilities (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Ausgrid Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the Right of Use (**ROU**) asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Measurement and recognition of ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally depreciated over the shorter of the underlying asset's useful life and the lease term on a straight-line basis. If the Ausgrid Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets are assets with a value less than $15,000 over the entire lease term.

Lease income from operating leases where the Ausgrid Group is a lessor is recognised as revenue in profit or loss on a straight-line basis over the lease term. The Ausgrid Group leases out its properties, including premises, land and network assets, under operating lease agreements at market rentals, predominantly on a fixed term basis.

(g) Impairment of assets

Goodwill is tested for impairment annually or whenever there is an indicator of impairment. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, where the recoverable amount is the higher of an asset's FVLCOD or Value in Use (**VIU**). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (Cash-generating Unit (**CGU**)).

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(i) Trade receivables

Trade receivables are recognised initially at fair value when the right to consideration becomes unconditional and subsequently measured at amortised cost using the effective interest method, less expected credit losses. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected within 12 months after the reporting date.

1 Summary of significant accounting policies (continued)

(i) Trade receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts for which the Ausgrid Group has no reasonable expectations of recovering are written off by reducing the carrying amount directly.

The Ausgrid Group applies the AASB 9 Financial Instruments (**AASB 9**) simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. Contract assets relate to unbilled receivables and have substantially the same risk characteristics as trade receivables. The Ausgrid Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

(j) Contract assets

Contract assets represent the right to consideration for performance obligations completed to date when the right is conditional on something other than the passage of time. The contract assets balance primarily represents the unread meters accrual.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average purchase price of each item. In the case of inventory for internal use, costs include direct labour, materials and a portion of variable overhead which comprises the cost of bringing the inventories to their appropriate location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Property, plant and equipment

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Ausgrid Group. Cost is the amount of cash or cash equivalents paid at the time of acquisition or construction, adjusted for any gains or losses on qualifying cash flow hedges in respect of the purchases of relevant assets.

After initial recognition as an asset, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

(ii) Historical cost method

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Ausgrid Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(iii) Impairment assessment

Each year, property, plant and equipment is assessed for impairment if an indication of impairment exists. The Ausgrid Group makes an estimate of the recoverable amount to confirm that the carrying amount of the asset does not exceed its recoverable amount.

The recoverable amount is based on the higher of the FVLCOD or the VIU for the CGU. In assessing FVLCOD or VIU, the estimated future cash flows for the business are discounted to their present value using a discount rate that reflects the risks specific to the business and relevant market assessments.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1 Summary of significant accounting policies (continued)

(l) Property, plant and equipment (continued)

(iv) Retirements or disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

(v) Capitalisation of costs

Items of property, plant and equipment are initially recognised at cost. Cost includes expenditure that is directly attributable to the acquisition and/or construction of the asset, including costs of materials, services, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an allocated proportion of supporting overhead costs. Capitalised costs also include borrowing costs in accordance with Note 1(r) (where relevant).

Management judgement is required in the assessment of the types of costs that are directly attributable to the construction of property, plant and equipment. Satisfying the directly attributable criteria requires an assessment of those unavoidable costs that, if not incurred, would result in the property, plant and equipment not being constructed or being capable of operating in the manner intended by management. Directly attributable overheads are allocated to the cost of construction of an asset using direct labour dollars or direct costs.

(vi) Depreciation

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of their useful lives or the lease term. The estimated useful lives or, in the case of leased assets, the shorter lease term, are as follows:

Categories	Depreciation period (years)
Buildings	40-60
Network assets:	
Information Technology (IT)	4-10
Franchise meters (type 5 and 6 meters)	25
Transmission and distribution equipment	35-50
Mains	45-60
Tunnels	70
Street lighting	20
Leased land	48-99
Plant and equipment:	
Contestable meters (type 1 to 4 meters)	15
Plant	7-25
Fleet	10-15
Furniture	10
Office equipment	7
IT hardware	4-10
Leased assets	lease term

Asset lives are reviewed annually and, where required, adjustments are made to the remaining useful lives of separately identifiable parts of assets having regard to factors such as asset usage and the rate of technical and commercial obsolescence. Adjustments are treated as changes in accounting estimates to be applied prospectively.

1 Summary of significant accounting policies (continued)

(m) Intangible assets

(i) Network assets

Network assets include easements and the Ausgrid Group's network distribution licence. Easements represent an interest in land which allows access to network assets. The Ausgrid Group's network distribution licence and easements are amortised on a straight-line basis over the 99 year lease period.

(ii) Customer contracts

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer contracts are amortised over a period of five years using the straight-line amortisation method.

(iii) Computer software

Computer software is amortised over a period of one to four years using the straight-line amortisation method. The useful life of software is reviewed annually, and adjustments where applicable, are treated as changes in accounting estimates to be applied prospectively.

Costs incurred in configuring or customising Software-as-a-Service (**SaaS**) arrangements are recognised as intangible assets only if the implementation activities create an intangible asset that the Ausgrid Group controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Ausgrid Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

(iv) Goodwill

Goodwill arises from business combinations. The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

(n) Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and FVLCOD, if their carrying amount will be recovered principally through a sale transaction as opposed to continued use. Once classified as held for sale, depreciation and amortisation ceases. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

(o) Derivatives and hedging activities

The Ausgrid Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

The fair value of Interest Rate Swaps (**IRS**), Cross Currency Interest Rate Swaps (**CCIRS**) and forward contracts is the estimated amount that the Ausgrid Group would receive or pay to terminate the derivative at the reporting date, taking into account current interest and foreign exchange rates and the current creditworthiness of the Ausgrid Group and its derivative counterparties.

Derivative financial instruments are classified into current and non-current portions when the Ausgrid Group expects to hold a derivative as an economic hedge for a period beyond 12 months after the reporting date. For derivative financial instruments designated into hedging relationships, the classification will be consistent with the hedge relationship.

1 Summary of significant accounting policies (continued)

(o) Derivatives and hedging activities (continued)

At the inception of a hedge relationship, the Ausgrid Group formally designates and documents the hedge relationship to which the Ausgrid Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Ausgrid Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Ausgrid Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Ausgrid Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Ausgrid Group continues to recognise the financial asset and the associated liability.

The Ausgrid Group derecognises a financial liability when, and only when, the Ausgrid Group's obligation specified in the contract is discharged, cancelled or expired.

Hedges that meet the criteria for hedge accounting are accounted for as described below:

(a) *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in finance costs in profit or loss.

(b) *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in finance costs in profit or loss.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. They are presented as current liabilities unless payment is not due within 12 months from the reporting date. The amounts are unsecured.

(q) Contract liabilities

Contract liabilities relate to consideration received in advance of performance under the contract. These liabilities are recognised as revenue as (or when) the Ausgrid Group delivers the performance obligation under the contract.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Transaction costs are amortised using the effective interest method over the life of the loan. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

Borrowings are classified as current liabilities unless the Ausgrid Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

1 Summary of significant accounting policies (continued)

(s) Provisions

Provisions are recognised when the Ausgrid Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

(t) Employee benefits

All liabilities for employee benefits that are expected to be paid for services provided by employees up to the reporting date represent present obligations and are fully provided for in the financial statements.

Liabilities for employee benefits for wages, salaries, annual leave, preserved sick leave and long service leave that are expected to be wholly settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Ausgrid Group expects to pay as at the reporting date and include related on-costs, such as workers compensation insurance and payroll tax.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date based on an actuarial assessment. The discount rate is the market yield on national corporate bonds as at 30 June 2022 that have maturity dates aligned with the terms of the Ausgrid Group's obligations. The accrued portion of future benefits is determined using the projected unit credit method. Consideration is given to expected future wage and salary levels, and a range of demographic assumptions including retirement, withdrawal, death and disability rates. The calculation is performed by a qualified actuary.

The amounts provided have been apportioned between current and non-current provisions. The current provisions represent the portion which is expected to be paid within the ensuing 12 months or where there is no unconditional right to defer settlement of the obligation.

(u) Superannuation

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

The Ausgrid Group participates in the Energy Industries Superannuation Scheme (**the Scheme**) established by a Trust Deed made under an Act of the NSW Parliament, of which some divisions provide defined benefits. The Ausgrid Group accounts for its proportionate share of the defined benefit obligation, plan assets, and cost associated with the plan in the same way as for any other defined benefit plan.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net obligation in respect of the defined benefit plan is calculated separately for each policy by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

1 Summary of significant accounting policies (continued)

(u) Superannuation (continued)

(ii) Defined benefit plan (continued)

The discount rate is the market yield on national corporate bonds as at 30 June 2022 that have maturity dates aligned with the terms of the Ausgrid Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All remeasurements arising from the defined benefit plan are recognised in other comprehensive income in the year in which they occur.

Where the calculation results in a benefit to the Ausgrid Group, the recognised asset is limited to the future economic benefits that will be available to the Ausgrid Group through a reduction in future contributions or a cash refund.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced). Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Past service costs and net interest expense or income are recognised in profit or loss.

(v) Other liabilities

(i) Deferred revenue

Deferred revenue represents the advanced rental income received from external tenants.

(ii) Deposits

Deposits represent liabilities for contractors' deposits which can be refunded at any time after the end of the financial year and unclaimed monies which are held for up to six years before being transferred to Revenue NSW. The amount which can be refunded in the succeeding financial year and at any time is shown as current and the remainder of the liability as non-current.

(w) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (**GST**).

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (**ATO**) is included as a current asset or current liability in the statement of financial position.

The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(x) Distributions

The Ausgrid Group recognises a liability for distributions to Partners of the Ausgrid Group when the distribution is authorised by the Partnerships (AOP, AAP and PLUS ES) in accordance with their respective Partnership Deeds.

(y) Segment reporting

The Chief Operating Decision Makers (**CODM**) of the Ausgrid Group, as defined by AASB 8 Operating Segments (**AASB 8**), is the Executive Leadership Team, which is made up of the Chief Executive Officer and their direct reports. The CODM review the performance of the Ausgrid Group as a whole and make decisions regarding the allocation of resources on this basis. For the purposes of AASB 8, the Ausgrid Group has one operating segment.

The Ausgrid Group is required to report its different regulatory lines of business as part of its reporting to the AER. Information in relation to the regulatory lines of business has been disclosed in the consolidated financial statements. The form of regulatory control that applies to the Ausgrid Group's services depends on whether the services are categorised as SCS, ACS, or unregulated services:

1 Summary of significant accounting policies (continued)

(y) Segment reporting (continued)

- SCS comprise core distribution and transmission network services that the AER determines are for the benefit of all end customers, the costs of which are recovered from all end customers. SCS is subject to a revenue cap mechanism which limits the amount of revenue that can be recovered from providing the applicable services in a given regulatory control period;
- ACS are services that the AER determines are either dedicated to, or requested by, a small number of end customers, the costs of which are directly recovered from those end customers. ACS is subject to a price cap mechanism which limits the price that can be charged for the applicable service. ACS include certain types of metering services, street lighting services and ancillary network services, such as facilitating network connections; and
- Unregulated services comprise services that the AER believes are provided on a sufficiently competitive or contestable basis such that economic regulation is not necessary. These services include contestable metering services, infrastructure services, and lease of property.

Refer to Note 1(d) for detailed revenue recognition accounting policies in relation to these services.

(z) Rounding of amounts

The Ausgrid Group has applied Australian Securities and Investments Commission (**ASIC**) Legislative Instrument 2016/191 (Rounding in Financial/Directors' Reports). The amounts shown in this report have been rounded to the nearest $1,000,000, unless otherwise indicated.

(aa) New accounting standards and interpretations

(i) New accounting standards and interpretations adopted

The Ausgrid Group adopted AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2 on 1 July 2021.

The amendments provide practical expedients to account for changes in the basis for determining contractual cash flows as a result of Interbank Offered Rate (**IBOR**) reform and provide additional temporary relief from applying specific hedge accounting requirements to hedging relationships that are directly affected by IBOR reform. The amendments also require additional disclosures, including information about new risks arising from the IBOR reform, how the entity manages transition to the alternative benchmark rates and quantitative information about derivatives and non-derivatives that have yet to transition.

The Ausgrid Group holds a portfolio of foreign currency denominated fixed rate borrowings that are exposed to changes in fair value due to movements in market interest rates. The Ausgrid Group uses fair value hedge accounting to manage this interest rate risk exposure, which is determined as the change in fair value of the borrowings arising from changes in three month US$ London Interbank Offered Rate (**LIBOR**) for US$ denominated borrowings.

The Ausgrid Group has assessed whether the hedged US$ LIBOR risk component is a separately identifiable risk only when it first designates the hedge relationship and not on an ongoing basis.

The Ausgrid Group has US$ CCIRS designated in hedge relationships which reference three month US$ LIBOR. These hedge relationships will continue to reference three month US$ LIBOR until it is deemed not representative of the market.

As at 30 June 2022, the Ausgrid Group had $3,697 million of US$ denominated interest bearing notes and $311 million of US$ CCIRS designated in hedge relationships referencing three month US$ LIBOR.

(ii) New accounting standards and interpretations not yet adopted

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Ausgrid Group for the year ended 30 June 2022. The amendments are as follows:

- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates; and

1 Summary of significant accounting policies (continued)

(aa) New accounting standards and interpretations (continued)

(ii) New accounting standards and interpretations not yet adopted (continued)

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current.

These standards, amendments or interpretations are not expected to have a material impact on the Ausgrid Group in the current or future reporting periods and on foreseeable future transactions.

2 Use of estimates and judgements

The preparation of the consolidated financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Judgements made by management in the application of Accounting Standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed below and in the various respective notes:

Note 1(d)(iii) and 7 - Unread meters
Note 1(l) and 9 - Property, plant and equipment
Note 1(m) and 10 - Intangible assets
Note 1(s) and 13 - Provisions
Note 18 - Superannuation - defined benefit plan
Note 26(f) - Recognised fair value measurements

During the year ended 30 June 2022, the following significant events have occurred that provide further information on the estimates and judgements disclosed in the consolidated financial statements.

Revision of useful lives of contestable meters

During the year, the estimated useful lives of contestable meter assets within property, plant and equipment were revised from ten years to 15 years. The net effect of the change in the current financial year was a decrease in depreciation expense of $12 million.

Assuming the assets are held until the end of their estimated useful lives, depreciation in future years in relation these assets will be (decreased)/increased by the following amounts:

Year ending 30 June	$M
2023	(12)
2024	(12)
2025	(12)
2026 and onwards	48

2 Use of estimates and judgements (continued)

Compulsory acquisition of 33 Bligh Street, Sydney

On 5 November 2021, a notice of compulsory acquisition for the Ausgrid Group's property located at 33 Bligh Street, Sydney was published in the NSW Government Gazette (**Gazette**). Following the Gazette, Sydney Metro became the owner of the property; however, the actual compensation amount for the compulsory acquisition has yet to be determined. Accordingly, the Ausgrid Group disposed of the property, of which the disposal of network assets in Note 9 Property, plant and equipment mainly consist, and recognised a gain on disposal based on an estimated compensation amount. The associated receivable is included in other receivables in Note 7 Trade and other receivables and contract assets. The gain was recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur. The compulsory acquisition process (including payment of compensation) is expected to be completed by the end of financial year 2023, at which time the gain on disposal will be updated to reflect the actual compensation amount.

3 Revenue

	2022 $M	2021 $M
Revenue components		
DUOS	**1,446**	1,447
TUOS		
Pass-through	**282**	282
Non pass-through	**81**	46
CCF pass-through	**135**	131
NUOS	**1,944**	1,906
Transmission	**24**	14
SCS capital contributions	**123**	116
Other	**4**	1
Total SCS revenue	**2,095**	2,037
Metering	**54**	56
Street lighting	**34**	32
ANS	**64**	70
ACS capital contributions	**2**	2
Total ACS revenue	**154**	160
Unregulated revenue	**147**	132
Total unregulated revenue	**147**	132
Interest income	**1**	1
Total other revenue	**1**	1
Total revenue[1]	**2,397**	2,330

(1) Revenue billings of $1,363 million (2021: $1,381 million) is derived from retailers that individually make up more than 10% of the Ausgrid Group's total revenue and relate to SCS revenue. For SCS revenue, the retailer carries the bad debt risk of customers' inability to pay. The Ausgrid Group's regulated revenue is protected from retailer insolvency by a pass-through mechanism which allows recovery of revenue lost due to retailer failure.

4 Expenses

(a) Distribution of energy costs

	2022 $M	2021 $M
SCS regulated pass-through costs		
TNSP	**302**	292
CCF	**133**	133
Total regulated pass-through costs	**435**	425
Other energy costs	**1**	-
Total distribution of energy costs	**436**	425

(b) Operating expenses

	2022 $M	2021 $M
(i) Operating expenses by nature		
Employee benefits expense	**200**	211
Superannuation expense (defined benefit plan)	**3**	4
Superannuation expense (defined contribution plan)	**48**	48
Reform costs - SCS	**-**	29
Reform costs - ACS	**-**	5
Employee benefits expenses	**251**	297
Contracted services	**118**	122
IT expenses	**58**	63
Land and other taxes	**25**	27
Materials	**18**	15
Short-term and low-value lease rentals	**2**	2
Other	**17**	15
Other expenses	**238**	244
Total operating expenses	**489**	541
(ii) Operating expenses by line of business		
SCS	**356**	387
ACS	**94**	106
Unregulated	**39**	48
Total operating expenses	**489**	541

4 Expenses (continued)

(c) Depreciation and amortisation expense

	2022 $M	2021 $M
Depreciation of property, plant and equipment	**545**	581
Amortisation of intangible assets	**96**	97
Total depreciation and amortisation expense	**641**	678

(d) Finance costs

	2022 $M	2021 $M
Interest expense for borrowings	**282**	277
Interest expense from derivatives	**241**	254
Interest income from derivatives	**(108)**	(96)
Amortisation of loan transaction costs	**18**	23
Lease interest	**3**	3
Capitalised interest	**(5)**	(5)
Hedge ineffectiveness	**10**	(16)
Adjustments to the Syndicated Facility Agreement (**SFA**)	**3**	2
Other	**(1)**	4
Total finance costs	**443**	446

5 Taxation

	2022 $M	2021 $M
Income tax recognised in other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Changes in cash flow hedges	**(407)**	(124)
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit superannuation actuarial gain	**-**	(8)
Total income tax recognised in other comprehensive income	**(407)**	(132)

6 Deferred taxation

	Cash flow hedge reserve $M	Defined benefit superannuation plan $M	Total $M
Balance at 1 July 2020	307	(2)	305
Recognised in other comprehensive income	(124)	(8)	(132)
Balance at 30 June 2021	183	(10)	173
Recognised in other comprehensive income	**(407)**	**-**	**(407)**
Balance at 30 June 2022	**(224)**	**(10)**	**(234)**

7 Trade and other receivables and contract assets

	2022 $M	2021 $M
Current		
Trade receivables	**53**	59
Less: provision for impairment of trade receivables	**(5)**	(2)
Interest receivables from derivatives	**36**	35
Other receivables	**197**	2
Total current trade and other receivables	**281**	94
Contract assets		
Unread meters	**263**	249
Other	**27**	28
Total current contract assets	**290**	277
Non-current		
Other receivables	**2**	3
Total non-current other receivables	**2**	3

8 Assets classified as held for sale

	2022 $M	2021 $M
Land and buildings	**5**	5
Total assets classified as held for sale	**5**	5

9 Property, plant and equipment

	Land and buildings $M	Network assets $M	Plant and equipment $M	Total[1] $M
At 30 June 2022				
At cost	**771**	**18,340**	**832**	**19,943**
Accumulated depreciation	**(86)**	**(2,533)**	**(311)**	**(2,930)**
Net carrying amount	**685**	**15,807**	**521**	**17,013**
Year ended 30 June 2022				
Net carrying amount at 1 July 2021	**745**	**15,729**	**457**	**16,931**
Additions	**20**	**614**	**126**	**760**
Disposals	**(61)**	**(68)**	**(4)**	**(133)**
Depreciation expense	**(19)**	**(468)**	**(58)**	**(545)**
Net carrying amount	**685**	**15,807**	**521**	**17,013**
At 30 June 2021				
At cost	815	17,811	714	19,340
Accumulated depreciation	(70)	(2,082)	(257)	(2,409)
Net carrying amount	745	15,729	457	16,931
Year ended 30 June 2021				
Net carrying amount at 1 July 2020	757	15,723	445	16,925
Additions	8	554	92	654
Disposals	-	(61)	(5)	(66)
Assets classified as held for sale	(1)	-	-	(1)
Depreciation expense	(19)	(487)	(75)	(581)
Net carrying amount	745	15,729	457	16,931

(1) ROU assets in property, plant and equipment

On 1 December 2016, the Ausgrid Group entered into a 99 year finance lease with the NSW State Government. The underlying leased assets arising from the 99 year finance lease are land and buildings, network assets and plant and equipment. These leased assets, with a ROU carrying value of $16,482 million as at 30 June 2022, constitute a major portion of the Ausgrid Group's property, plant and equipment. The non-leased assets are land and buildings of $9 million, network assets of $13 million, and plant and equipment of $509 million as at 30 June 2022. The depreciation expense on ROU assets during the year was $488 million.

Assets under construction

At 30 June 2022, property, plant and equipment included the following assets under construction:

Land and buildings	$27 million (2021: $12 million)
Network assets	$454 million (2021: $409 million)
Plant and equipment	$57 million (2021: $41 million)

9 Property, plant and equipment (continued)

Capital expenditure

	2022 $M	2021 $M
SCS capital expenditure		
Replacement	**404**	321
Augmentation	**22**	31
Connection	**18**	20
Reliability	**2**	5
Non-network and other	**79**	51
Total SCS capital expenditure	**525**	428
ACS capital expenditure		
Street lighting and other ACS activities	**39**	44
Total ACS capital expenditure	**39**	44
Unregulated capital expenditure		
PLUS ES	**101**	77
Network Service Provider (**NSP**)	**1**	-
Total unregulated capital expenditure	**102**	77
Total capital expenditure[1]	**666**	549

(1) The total capital expenditure by line of business of $666 million is different to the total additions of property, plant and equipment of $760 million and intangible assets of $44 million (refer to Note 10). This difference of $138 million (2021: $143 million) comprises of capitalised capital contributions of $135 million (2021: $126 million), capitalised interest of $5 million (2021: $5 million), and a decrease of property, plant and equipment resulting from asset related provision movements of $2 million (2021: $12 million increase).

Replacement capital expenditure relates to the replacement of assets that have reached the end of their serviceable or technical life, or have condition issues that necessitate the replacement of the asset.

Augmentation capital expenditure relates to new capital investment that expands the network's capacity to deliver electricity that is not connection or reliability capital expenditure.

Connection capital expenditure relates to new capital investment required to connect new customers, with the majority of connection related works funded by customers under a contestable framework.

Reliability capital expenditure relates to capital expenditure that improves network reliability in specific areas.

Non-network and other capital expenditure relates to the spend required to support the businesses operation and includes information technology, property and fleet.

ACS capital expenditure relates to the installation of new street lighting assets, replacement of street lighting assets and a proportion of non-network and other capital expenditure that supports the ACS line of business.

Unregulated capital expenditure relates to investments within the Ausgrid Group's unregulated business including contestable meters and electrical and telecommunication infrastructure, and a proportion of non-network and other capital expenditure that supports the unregulated line of business.

10 Intangible assets

	Network assets $M	Customer contracts $M	Computer software $M	Goodwill $M	Total $M
At 30 June 2022					
At cost	**1,686**	**4**	**500**	**2,135**	**4,325**
Accumulated amortisation	**(93)**	**(4)**	**(351)**	**-**	**(448)**
Accumulated impairment	**-**	**-**	**-**	**(348)**	**(348)**
Net carrying amount	**1,593**	**-**	**149**	**1,787**	**3,529**
Year ended 30 June 2022					
Net carrying amount at 1 July 2021	**1,611**	**1**	**183**	**1,787**	**3,582**
Additions	**-**	**-**	**44**	**-**	**44**
Disposals	**(1)**	**-**	**-**	**-**	**(1)**
Amortisation expense	**(17)**	**(1)**	**(78)**	**-**	**(96)**
Net carrying amount	**1,593**	**-**	**149**	**1,787**	**3,529**
At 30 June 2021					
At cost	1,687	4	456	2,135	4,282
Accumulated amortisation	(76)	(3)	(273)	-	(352)
Accumulated impairment	-	-	-	(348)	(348)
Net carrying amount	1,611	1	183	1,787	3,582
Year ended 30 June 2021					
Net carrying amount 1 July 2020	1,628	2	224	1,787	3,641
Additions	-	-	38	-	38
Amortisation expense	(17)	(1)	(79)	-	(97)
Net carrying amount	1,611	1	183	1,787	3,582

Assets under construction

At 30 June 2022, assets under construction included in intangible assets related to computer software of $31 million (2021: $16 million).

(a) Impairment test of goodwill

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Ausgrid Group has two CGUs, the NSP (comprising AAP and AOP) and PLUS ES. The recoverable amount of each CGU has been determined based on the FVLCOD approach.

In applying the FVLCOD approach, the recoverable amount of each CGU is assessed using a discounted cash flow methodology. The cash flow forecasts are based on the latest business plans up to 30 June 2027 and the long-term corporate model for future years. These cash flows are then discounted using a relevant long-term post-tax discount rate. The discount rate is determined based on post-tax weighted average cost of capital using market based inputs.

This is considered to be level 3 in the fair value hierarchy, as some of the inputs are based on non-market observable inputs.

10 Intangible assets (continued)

(a) Impairment test of goodwill (continued)

Goodwill is allocated to CGUs as follows:

	2022 $M	2021 $M
NSP	**1,722**	1,722
PLUS ES	**65**	65
Total	**1,787**	1,787

(i) NSP CGU

The NSP CGU carrying value was supported by its recoverable amount and no impairment exists at 30 June 2022 (2021: $nil impairment). The key assumptions used in the discounted cash flow analysis were:

- Post-tax discount rate of 6.10% (2021: 6.00%);
- Terminal value Regulated Asset Base (**RAB**) multiple of 1.35x for SCS (2021: 1.30x) and a multiple of 28.50x (2021: 29.30x) applied to ACS and unregulated business terminal year cash flows;
- Terminal growth rate of 2.50% (2021: 2.50%); and
- Cash flow horizon of 30 years (2021: 30 years). Cash flow forecast includes assumptions related to growth in revenue, operating expenditure and capital expenditure, with the growth assumption primarily driven by the assumptions in the regulatory building block model, with growth being a function of the RAB and the allowable return from the AER in the current regulatory period (1 July 2019 to 30 June 2024) and expected future returns in years after 30 June 2024.

(ii) PLUS ES CGU

The PLUS ES CGU carrying value was supported by its recoverable amount and no impairment exists at 30 June 2022 (2021: $nil impairment). The key assumptions used in the discounted cash flow analysis were:

- Post-tax discount rate of 8.20% (2021: 8.10%);
- Terminal growth rate of 3.00% (2021: 3.00%); and
- Cash flow horizon of 20 years (2021: 20 years). Cash flow forecast includes assumptions related to growth in revenue, operating expenditure and capital expenditure.

(b) Sensitivity to changes in assumptions

(i) NSP CGU

There is no foreseeable change to the NSP CGU key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount.

(ii) PLUS ES CGU

There is no foreseeable change to the PLUS ES CGU key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount.

11 Trade and other payables

		2022 $M	2021 $M
Current			
Trade payables		**83**	74
Interest payable		**138**	141
Accruals		**56**	39
Other payables		**61**	48
Total current trade and other payables		**338**	302

12 Borrowings

		2022 $M	2021 $M
Current			
Lease liabilities		**4**	-
Total current lease liabilities		**4**	-
A$ denominated interest bearing loans		**-**	1,367
US$ denominated interest bearing notes		**724**	-
Less: Transaction costs		**(1)**	(3)
Total current loans and notes	12(a)	**723**	1,364
Total current borrowings		**727**	1,364
Non-current			
Lease liabilities		**34**	29
Total non-current lease liabilities		**34**	29
A$ denominated interest bearing loans		**3,844**	3,647
A$ denominated interest bearing notes		**2,622**	2,771
US$ denominated interest bearing notes		**2,973**	3,774
EUR denominated interest bearing notes		**1,627**	1,074
Less: Transaction costs		**(49)**	(58)
Total non-current loans and notes	12(a)	**11,017**	11,208
Total non-current borrowings		**11,051**	11,237

SFA

On 2 July 2021, the Ausgrid Group renegotiated its existing $721 million Capex Facility and $250 million Working Capital Facility under the existing Terms and Conditions of the SFA. The maturity for both facilities was extended by two years from the original maturity date of 1 June 2022 to 1 June 2024.

12 Borrowings (continued)

Euro Medium Term Note (EMTN)

On 27 September 2021, the Ausgrid Group priced a EUR525 million senior secured medium term note issue in the EMTN market. This comprised EUR525 million of fixed rate notes at a coupon of 0.875% with a tenor of ten years. The net proceeds were used to repay Facility B1 ($820 million) and Facility B5 ($22 million) of the SFA.

(a) Loans and notes

	Drawdown[1] $M	Foreign exchange movements[2] $M	Fair value adjustments[3] $M	Transaction costs $M	Carrying value $M
30 June 2022					
Fixed rate notes					
10 year US$770M US Private Placement (**USPP**)	**966**	**152**	**(46)**	**(3)**	**1,069**
12 year US$430M USPP	**540**	**84**	**(32)**	**(2)**	**590**
15 year US$430M USPP	**540**	**84**	**(40)**	**(3)**	**581**
10 year A$29M USPP	**29**	**-**	**-**	**-**	**29**
12 year A$103M USPP	**103**	**-**	**-**	**-**	**103**
15 year A$88M USPP	**88**	**-**	**-**	**(1)**	**87**
7 year A$750M Australian Medium Term Note (**AMTN**)	**750**	**-**	**(16)**	**(2)**	**732**
6.5 year A$750M AMTN	**750**	**-**	**(102)**	**(2)**	**646**
7.25 year EUR650M EMTN	**1,037**	**(50)**	**(23)**	**(2)**	**962**
10 year EUR525M EMTN	**845**	**(48)**	**(134)**	**(4)**	**659**
5 year US$500M 144A	**659**	**67**	**(2)**	**(1)**	**723**
10.25 year US$500M 144A	**659**	**67**	**(1)**	**(6)**	**719**
	6,966	**356**	**(396)**	**(26)**	**6,900**
Floating rate notes and facilities					
15 year A$100M USPP	**100**	**-**	**-**	**(1)**	**99**
7 year A$450M AMTN	**450**	**-**	**-**	**(1)**	**449**
5 year A$220M AMTN	**220**	**-**	**-**	**-**	**220**
3.5 year A$250M AMTN	**250**	**-**	**-**	**(1)**	**249**
Syndicated Facility Agreement[4]	**2,424**	**-**	**-**	**(11)**	**2,413**
Asian Syndicated Facility (**ASF**)[5]	**1,420**	**-**	**-**	**(10)**	**1,410**
	4,864	**-**	**-**	**(24)**	**4,840**
Total loans and notes	**11,830**	**356**	**(396)**	**(50)**	**11,740**

(1) The drawdown represents A$ denominated loans and notes or, in regards to foreign currency denominated notes, the A$ equivalent translated at the hedged rate at inception.

(2) This relates to foreign exchange movements from the date of original drawdown of non AUD notes to 30 June 2022.

(3) The fair value adjustment of $396 million (2021: $347 million) is made up of a hedge accounting adjustment of $396 million (2021: $350 million) due to interest rate movements, offset by a net gain on the amend and extend of the SFA of nil (2021: $3 million).

12 Borrowings (continued)

(a) Loans and notes (continued)

(4) Syndicated Facility Agreement includes Facilities B4, B5, C and D. The original drawdown of the SFA was $11,931 million. This was reduced to $2,424 million due to repayments of $10,461 million, partially offset by additional drawdowns of $954 million since the inception of the SFA.

(5) The original drawdown of the ASF was $1,650 million. This was reduced to $1,420 million due to repayment of $230 million.

	Drawdown $M	Foreign exchange movements $M	Fair value adjustments $M	Transaction costs $M	Carrying value $M
30 June 2021					
Fixed rate notes					
10 year US$770M USPP	966	58	67	(4)	1,087
12 year US$430M USPP	540	32	43	(3)	612
15 year US$430M USPP	540	32	52	(4)	620
10 year A$29M USPP	29	-	-	-	29
12 year A$103M USPP	103	-	-	(1)	102
15 year A$88M USPP	88	-	-	(1)	87
7 year A$750M AMTN	750	-	51	(3)	798
6.5 year A$750M AMTN	750	-	(20)	(2)	728
7.25 year EUR650M EMTN	1,037	(8)	45	(3)	1,071
5 year US$500M 144A	659	7	32	(2)	696
10.25 year US$500M 144A	659	7	80	(7)	739
	6,121	128	350	(30)	6,569
Floating rate notes and facilities					
15 year A$100M USPP	100	-	-	(1)	99
7 year A$450M AMTN	450	-	-	(1)	449
5 year A$220M AMTN	220	-	-	-	220
3.5 year A$250M AMTN	250	-	-	(1)	249
Syndicated Facility Agreement	3,367	-	(3)	(16)	3,348
Asian Syndicated Facility	1,650	-	-	(12)	1,638
	6,037	-	(3)	(31)	6,003
Total loans and notes	12,158	128	347	(61)	12,572

12 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit $M	Drawn $M	Undrawn $M	Rate in currency of issue[1]
30 June 2022					
10 year US$770M USPP fixed rate	**1 Oct 27**	**1,118**	**1,118**	**-**	**3.500%**
12 year US$430M USPP fixed rate	**1 Oct 29**	**624**	**624**	**-**	**3.600%**
15 year US$430M USPP fixed rate	**1 Oct 32**	**624**	**624**	**-**	**3.750%**
10 year A$29M USPP fixed rate	**1 Oct 27**	**29**	**29**	**-**	**4.445%**
12 year A$103M USPP fixed rate	**1 Oct 29**	**103**	**103**	**-**	**4.615%**
15 year A$88M USPP fixed rate	**1 Oct 32**	**88**	**88**	**-**	**4.857%**
15 year A$100M USPP floating rate	**1 Oct 32**	**100**	**100**	**-**	**BBSW+1.800%**
Total USPP notes		**2,686**	**2,686**	**-**	
7 year A$750M AMTN fixed rate	**30 Oct 24**	**750**	**750**	**-**	**3.750%**
7 year A$450M AMTN floating rate	**30 Oct 24**	**450**	**450**	**-**	**BBSW+1.220%**
6.5 year A$750M AMTN fixed rate	**5 Feb 27**	**750**	**750**	**-**	**1.814%**
3.5 year A$250M AMTN floating rate	**5 Feb 24**	**250**	**250**	**-**	**BBSW+1.100%**
5 year A$220M AMTN floating rate	**24 Feb 26**	**220**	**220**	**-**	**BBSW+1.000%**
Total AMTN		**2,420**	**2,420**	**-**	
5 year US$500M 144A fixed rate	**1 May 23**	**726**	**726**	**-**	**3.850%**
10.25 year US$500M 144A fixed rate	**1 Aug 28**	**726**	**726**	**-**	**4.350%**
Total US144A notes		**1,452**	**1,452**	**-**	
7.25 year EUR650M EMTN fixed rate	**30 Jul 25**	**987**	**987**	**-**	**1.250%**
10 year EUR525M EMTN fixed rate	**7 Oct 31**	**797**	**797**	**-**	**0.875%**
Total EMTN		**1,784**	**1,784**	**-**	
SFA 5.25 year Term Facility B4	**1 Dec 23**	**1,400**	**1,400**	**-**	**BBSY+1.050%**
SFA 7.25 year Term Facility B5	**1 Dec 25**	**574**	**574**	**-**	**BBSY+1.300%**
ASF 7 year Term Facility A1	**2 Jul 26**	**1,170**	**1,170**	**-**	**BBSY+1.300%**
ASF 10 year Term Facility A2	**2 Jul 29**	**250**	**250**	**-**	**BBSY+1.550%**
Total term loans		**3,394**	**3,394**	**-**	
Capex Facility C	**1 Jun 24**	**721**	**343**	**378**	**BBSY+0.650%**
Working Capital Facility D[2]	**1 Jun 24**	**250**	**107**	**143**	**BBSY+0.650%**
Total liquidity		**971**	**450**	**521**	
Total[3]		**12,707**	**12,186**	**521**	

(1) The rates listed are those that apply to each instrument in its respective currency of issuance. The Bank Bill Swap Rate (**BBSW/BBSY**) is a floating short-term benchmark interest rate. Market convention is that BBSY is typically 0.05% higher than BBSW.

(2) In addition to the $107 million drawn under the Working Capital Facility D, $46 million of bank guarantees have been issued under the facility (refer to Note 23) and therefore the unutilised funds available under the Working Capital Facility D is $97 million.

(3) The weighted average interest for the year ended 30 June 2022 was 3.45% (2021: 3.50%).

12 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit $M	Drawn $M	Undrawn $M	Rate in currency of issue
30 June 2021					
10 year US$770M USPP fixed rate	1 Oct 27	1,024	1,024	-	3.500%
12 year US$430M USPP fixed rate	1 Oct 29	572	572	-	3.600%
15 year US$430M USPP fixed rate	1 Oct 32	572	572	-	3.750%
10 year A$29M USPP fixed rate	1 Oct 27	29	29	-	4.445%
12 year A$103M USPP fixed rate	1 Oct 29	103	103	-	4.615%
15 year A$88M USPP fixed rate	1 Oct 32	88	88	-	4.857%
15 year A$100M USPP floating rate	1 Oct 32	100	100	-	BBSW+1.800%
Total USPP notes		2,488	2,488	-	
7 year A$750M AMTN fixed rate	30 Oct 24	750	750	-	3.750%
7 year A$450M AMTN floating rate	30 Oct 24	450	450	-	BBSW+1.220%
6.5 year A$750M AMTN fixed rate	5 Feb 27	750	750	-	1.814%
3.5 year A$250M AMTN floating rate	5 Feb 24	250	250	-	BBSW+1.100%
5 year A$220M AMTN floating rate	24 Feb 26	220	220	-	BBSW+1.000%
Total AMTN		2,420	2,420	-	
5 year US$500M 144A fixed rate	1 May 23	666	666	-	3.850%
10.25 year US$500M 144A fixed rate	1 Aug 28	666	666	-	4.350%
Total US144A notes		1,332	1,332	-	
7.25 year EUR650M EMTN fixed rate	30 Jul 25	1,029	1,029	-	1.250%
Total EMTN		1,029	1,029	-	
SFA 5.5 year Term Facility B1	1 Jun 22	917	917	-	BBSY+0.800%
SFA 5.25 year Term Facility B4	1 Dec 23	1,400	1,400	-	BBSY+1.050%
SFA 7.25 year Term Facility B5	1 Dec 25	600	600	-	BBSY+1.300%
ASF 7 year Term Facility A1	2 Jul 26	1,400	1,400	-	BBSY+1.300%
ASF 10 year Term Facility A2	2 Jul 29	250	250	-	BBSY+1.550%
Total term loans		4,567	4,567	-	
Capex Facility C	1 Jun 22	721	343	378	BBSY+0.800%
Working Capital Facility D	1 Jun 22	250	107	143	BBSY+0.800%
Total liquidity		971	450	521	
Total		12,807	12,286	521	

12 Borrowings (continued)

(b) Reconciliation of liabilities arising from financing activities

	1 July 2021	Cash flows	Non-cash changes				30 June 2022
			Fair value adjustments	Foreign exchange movements	Amortisation	Acquisition	
	$M	$M	$M	$M	$M	$M	$M
A$ denominated interest bearing loans	**5,014**	**(1,173)**	**3**	**-**	**-**	**-**	**3,844**
A$ denominated interest bearing notes	**2,771**	**-**	**(149)**	**-**	**-**	**-**	**2,622**
US$ denominated interest bearing notes	**3,774**	**-**	**(395)**	**318**	**-**	**-**	**3,697**
EUR denominated interest bearing notes	**1,074**	**845**	**(202)**	**(90)**	**-**	**-**	**1,627**
Transaction costs	**(61)**	**(7)**	**-**	**-**	**18**	**-**	**(50)**
Lease liabilities	**29**	**(3)**	**-**	**-**	**3**	**9**	**38**
Total liabilities from financing activities	**12,601**	**(338)**	**(743)**	**228**	**21**	**9**	**11,778**

	1 July 2020	Cash flows	Non-cash changes				30 June 2021
			Fair value adjustments	Foreign exchange movements	Amortisation	Acquisition	
	$M	$M	$M	$M	$M	$M	$M
A$ denominated interest bearing loans	6,707	(1,694)	1	-	-	-	5,014
A$ denominated interest bearing notes	1,593	1,220	(42)	-	-	-	2,771
US$ denominated interest bearing notes	4,389	-	(281)	(334)	-	-	3,774
EUR denominated interest bearing notes	1,125	-	(16)	(35)	-	-	1,074
Transaction costs	(79)	(5)	-	-	23	-	(61)
Lease liabilities	28	(4)	-	-	3	2	29
Total liabilities from financing activities	13,763	(483)	(338)	(369)	26	2	12,601

13 Provisions

	Employee benefits $M	Restructuring $M	Workers compensation and legal $M	Other $M	Total $M
Balance at 1 July 2021	**286**	**4**	**32**	**58**	**380**
Additional provision	**123**	**-**	**7**	**-**	**130**
Amounts used	**(127)**	**(2)**	**(10)**	**(4)**	**(143)**
Amounts reversed	**(2)**	**-**	**-**	**(1)**	**(3)**
Amounts transferred	**1**	**-**	**-**	**-**	**1**
At 30 June 2022	**281**	**2**	**29**	**53**	**365**
Current	**272**	**2**	**10**	**17**	**301**
Non-current	**9**	**-**	**19**	**36**	**64**
At 30 June 2022	**281**	**2**	**29**	**53**	**365**
Balance at 1 July 2020	319	2	31	47	399
Additional provision	140	27	8	15	190
Amounts used	(148)	(25)	(7)	(3)	(183)
Amounts reversed	(25)	-	-	(1)	(26)
At 30 June 2021	286	4	32	58	380
Current	249	4	10	12	275
Non-current	37	-	22	46	105
At 30 June 2021	286	4	32	58	380

(a) Employee benefits

The provision for employee benefits relates to amounts accruing to employees up to the reporting date in respect of annual leave, bonus, preserved sick leave, superannuation, supplementary superannuation, long service leave and defined benefit plan. Amounts provided for in relation to long service leave, preserved sick leave, supplementary superannuation and defined benefit plan are based on actuarial assessments.

Employee benefit amounts expected to be settled within 12 months have been measured at the amounts expected to be paid when the liabilities are settled. As at 30 June 2022, the Ausgrid Group had net defined benefit plan assets of $1 million (2021: net defined benefit plan liabilities of nil). The net defined benefit plan assets were transferred from non-current provision for employee benefits to non-current assets. Refer to Note 18 for details.

(b) Restructuring

The Ausgrid Group's Transformation Program has resulted in a reorganisation of functions, including a reduction in headcount. The restructuring provision reflects the costs of redundancy payments expected to be made when impacted employees exit the organisation.

(c) Workers compensation and legal

The Ausgrid Group is a self-insurer for workers compensation and meets all liabilities under the workers compensation legislation in NSW and other states. The provision covers claims incurred but not yet reported and the anticipated fund management fees in respect of the management of those claims.

13 Provisions (continued)

(c) Workers compensation and legal (continued)

A bank guarantee is held for security and can be drawn down in the event of a default. Refer to Note 23 for details.

A provision for legal claims is recognised when the Ausgrid Group has a present legal or constructive obligation as a result of past events. The provision reflects management's best estimate of the expenditure required to settle the legal claims at the reporting date.

(d) Other

Other provisions mainly consist of provisions for future Polychlorinated Biphenyls (**PCB**) disposal costs, costs relating to decommissioning assets and make good.

(i) Provision for PCB disposal costs

This provision reflects future PCB disposal costs at the end of life of network equipment where there is a legislative obligation.

The provision as at 30 June 2022 was $17 million (2021: $20 million) and reflects an estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. Future disposal costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future disposal costs is capitalised and is depreciated in accordance with the policy set out in Note 1(l). The unwinding of the effect of discounting the provision is recognised as a finance cost.

(ii) Provision for costs relating to decommissioning assets

The provision to cover the expected future costs associated with decommissioning the Ausgrid Group's network assets as at 30 June 2022 was $33 million (2021: $34 million). Future costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future asset decommissioning costs is capitalised and is depreciated in accordance with the policy set out in Note 1(l). The unwinding of the effect of discounting the provision is recognised as a finance cost.

14 Other liabilities and contract liabilities

	2022 $M	2021 $M
Current		
Deposits	**1**	1
Deferred revenue	**5**	4
Total current other liabilities	**6**	5
Current contract liabilities		
Street lighting capital contribution	**2**	2
Deferred street lighting revenue	**3**	3
Development rights agreement	**3**	1
Other	**2**	2
Total current contract liabilities	**10**	8
Non-current contract liabilities		
Street lighting capital contribution	**41**	31
Deferred street lighting revenue	**26**	26
Development rights agreement	**-**	7
Total non-current contract liabilities	**67**	64

During the year, $6 million revenue relating to street lighting (both street lighting capital contributions and deferred street lighting revenue) was recognised (2021: $3 million) that was included in the contract liabilities balance on 1 July 2021.

15 Derivatives

	2022 $M	2021 $M
Current assets		
CCIRS	**65**	-
Forward foreign exchange contracts	**3**	-
Total current derivative financial assets	**68**	-
Non-current asset		
IRS	**739**	117
CCIRS	**275**	393
Forward foreign exchange contracts	**5**	-
Total non-current derivative financial assets	**1,019**	510
Total derivative financial assets	**1,087**	510

15 Derivatives (continued)

	2022 $M	2021 $M
Non-current liability		
IRS	**(124)**	(632)
CCIRS	**(248)**	-
Total non-current derivative financial liabilities	**(372)**	(632)
Total derivative financial liabilities	**(372)**	(632)
Net derivative financial assets/(liabilities)	**715**	(122)

On 31 January 2022, ten IRS and three CCIRS were novated from The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (**HSBC**) to Commonwealth Bank of Australia (**CBA**). The old HSBC swaps were de-designated from existing hedge relationships and the new CBA swaps were designated in new hedge relationships. As a result of this novation, a gain of $1 million was recognised in finance costs in the current year.

The accumulated hedging impact of $28 million relating to the HSBC swaps prior to the novation remains in the cash flow hedge reserve at 30 June 2022 and will be amortised as an expense to finance costs over the remaining life of the novated swaps.

16 Partner capital

	AOP		AAP		PLUS ES	
	Number	$M	Number	$M	Number[1]	$M
30 June 2022						
Ordinary capital interest	**504**	**865**	**504**	**3,538**	**4,612**	**92**
A class capital interest	**496**	**851**	**496**	**3,483**	**4,538**	**91**
Total contributed equity	**1,000**	**1,716**	**1,000**	**7,021**	**9,150**	**183**
30 June 2021						
Ordinary capital interest	504	865	504	3,538	4,612	92
A class capital interest	496	851	496	3,483	4,538	91
Total contributed equity	1,000	1,716	1,000	7,021	9,150	183

(1) The number of interests for PLUS ES is in millions.

(a) Partner capital

Ordinary capital interest

Ordinary capital interests of AOP, AAP and PLUS ES were issued to Blue Op Partner Pty Limited as trustee for Blue Op Partner Trust (**Blue AOP**) and Blue Asset Partner Pty Limited as trustee for Blue Asset Partner Trust (**Blue AAP**) on 20 October 2016 and Blue PLUS ES Partner Pty Limited as trustee for Blue PLUS ES Partner Trust (**Blue PLUS ES**) on 1 November 2017. Blue AOP, Blue AAP and Blue PLUS ES are controlled by a consortium led by IFM Investors, AustralianSuper and APG. The interests are classified as equity and are fully paid.

16 Partner capital (continued)

(a) Partner capital (continued)

A class capital interest

A class capital interest of AOP, AAP and PLUS ES were issued to four separate Electricity Retained Interest Corporation entities (**ERIC Partners**) controlled by the NSW State Government on 20 October 2016 for AOP and AAP and 1 November 2017 for PLUS ES. An A class interest will be automatically converted to an ordinary interest when it is held by an entity other than ERIC Partners. The rights and obligations attaching to A class capital interests and ordinary capital interests are identical except for the attached voting rights. The interests are classified as equity and are fully paid.

(b) Partnership liability

Each Partner is responsible for discharging the liabilities of AOP, AAP and PLUS ES in proportion with their respective Partnership interest and each Partner indemnifies the other Partners from the default of the liabilities.

(c) Distribution

Each Partner is entitled to distributions in proportion with their respective Partnership interests. All distributions are subject to approval by the Partnership Board. In accordance with the Partnership Deed, a quarterly distribution of a minimum of 85% of surplus cash will be distributed to Partners, unless Directors make a unanimous determination to distribute a lesser amount in respect of a particular quarter.

Surplus cash is calculated as the operating cash flows of the Partnership for the quarter; less growth and maintenance capital expenditure for the quarter; less interest and debt repayments for the quarter (including any voluntary prepayments); plus the proceeds from debt drawdowns or refinancing undertaken in the quarter; plus proceeds from the sale of any assets in the quarter.

17 Retained earnings

	AOP $M	AAP $M	PLUS ES $M	Total $M
Balance at 1 July 2021	**(94)**	**(552)**	**(22)**	**(668)**
Profit for the year	**156**	**488**	**36**	**680**
Balance at 30 June 2022	**62**	**(64)**	**14**	**12**
Balance at 1 July 2020	(262)	(612)	(28)	(902)
Profit for the year	168	60	6	234
Balance at 30 June 2021	(94)	(552)	(22)	(668)

18 Superannuation - defined benefit plan

The Ausgrid Group has a Defined Benefit Superannuation Plan (**the Fund**) covering a number of employees, which requires contributions to be made to a separately administered fund.

(a) Nature of the benefits provided by the Fund

The Scheme is divided into seven divisions, of which Divisions B, C and D provide defined benefits, that is at least a component of the final benefit which is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. Divisions B, C and D are closed to new members except for members of eligible schemes who can transfer their entitlements into the Scheme.

Disclosures below are prepared in relation to Divisions B, C and D only. These Divisions are referred to collectively as 'the Fund'.

(b) Risk exposure

There are a number of risks to which the Fund exposes the Ausgrid Group. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and the Ausgrid Group will need to increase contributions to offset any shortfall.
- Longevity risk - The risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The Scheme assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

(c) Reconciliation of the net defined benefit assets/(liabilities)

The following table summarises the components of net benefit expense recognised in profit or loss, actuarial gains and losses recognised in other comprehensive income and funded status and amounts recognised in the statement of financial position.

18 Superannuation - defined benefit plan (continued)

(c) Reconciliation of the net defined benefit assets/(liabilities) (continued)

	Present value of obligations $M	Fair value of Fund assets $M	Total $M
At 1 July 2021	**(271)**	**271**	**-**
Current service cost	**(3)**	**-**	**(3)**
Interest (expense)/income	**(8)**	**8**	**-**
Settlements	**-**	**-**	**-**
Defined benefit superannuation (expense)/income recognised in profit or loss	**(11)**	**8**	**(3)**
Contributions by the Fund participants:			
Employers	**-**	**4**	**4**
Fund participants	**(2)**	**2**	**-**
	(2)	**6**	**4**
Remeasurements:			
Return on Fund assets, excluding amounts included in interest income	**-**	**(8)**	**(8)**
Loss from change in demographic assumptions	**(2)**	**-**	**(2)**
Gain from change in financial assumptions	**29**	**-**	**29**
Loss from change in liability experience	**(19)**	**-**	**(19)**
Defined benefit superannuation actuarial gain/(loss) recognised in other comprehensive income	**8**	**(8)**	**-**
Benefits paid	**23**	**(23)**	**-**
Tax and expenses paid	**1**	**(1)**	**-**
	24	**(24)**	**-**
At 30 June 2022	**(252)**	**253**	**1**

18 Superannuation - defined benefit plan (continued)

(d) Fair value of Fund assets

The fair value of Fund assets, provided by the Trustee of the Scheme, is for the total assets of Divisions B, C and D of the Scheme and comprise of defined benefit and defined contribution assets for all participating employers. The value of defined benefit assets attributable to the Ausgrid Group cannot be separately disclosed. Refer to Note 26(f) for details on fair value hierarchy.

Asset category	Total $M	Quoted price in active markets for identical assets Level 1 $M	Significant observable input Level 2 $M	Unobservable input Level 3 $M
At 30 June 2022				
Energy Investment Fund	**1,767**	**-**	**1,767**	**-**
At 30 June 2021				
Energy Investment Fund	2,012	-	2,012	-

(e) Significant actuarial assumptions at the reporting date

Expected salary increase rate (excluding promotional increase)	2.95% for 2022/23; 3.00% for 2023/24; and 4.00% pa thereafter (2021: 2.00% for 2021/22; 2.25% for 2022/23; 2.50% for 2023/24; and 2.75% pa thereafter)
Rate of Consumer Price Index (**CPI**) increase	4.00% for 2022/23; 2.76% for 2023/24; 2.35% for 2024/25; 2.34% for 2025/26; 2.37% for 2026/27; 2.26% for 2027/28 and 2.50% pa thereafter (2021: 1.48% for 2021/22; 1.81% for 2022/23; 2.25% for 2023/24; 2.26% for 2024/25; 2.35% for 2025/26 and 2.50% pa thereafter)
Discount rate	5.30% pa (2021: 2.98% pa)
Pensioner mortality	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2021. The pension mortality rates are based on experience of the NSW public sector.

19 Key management personnel compensation

The Ausgrid Group defines key management personnel as those having authority and responsibility for planning, directing and controlling the activities of the Ausgrid Group as well as the Directors of the Ausgrid Group. Key management personnel comprise the Ausgrid Group's Executive Leadership Team and the Non-Executive Directors of AOP, AAP and PLUS ES. Although the Non-Executive Directors are listed below, they do not have management responsibility.

Non-Executive Directors

Dr Helen Nugent AC

Ashley Barker

Belinda Gibson

Hans-Martin Aerts (appointed on 27 June 2022)

Jason Peasley

Joo Hyung (Jay) Ryu (appointed on 27 June 2022)

Michael Byrne

Michael Hanna

Robert Wright

Steven MacDonald

Wendy Thorpe (resigned on 27 June 2022)

The above are Non-Executive Directors of AOP, AAP and PLUS ES. In addition to the above, Hugh Gleeson was a Non-Executive Director of AOP and AAP through to 27 June 2022 (resigned). Terry Sinclair was a Non-Executive Director of PLUS ES through to 27 June 2022 (resigned).

Key management personnel remuneration

The remuneration of the key management personnel was:

	2022 $	2021 $
Short-term employee benefits	**15,666,463**	10,447,676
Long-term benefits	**6,044,157**	3,601,784
Termination benefits	**10,981**	1,611,963
Post-employment benefits	**273,033**	306,205
	21,994,634	15,967,628

20 Remuneration of auditors

During the year, the following fees were paid, or payable, for services provided by PricewaterhouseCoopers Australia, the auditor of the Ausgrid Group:

(i) Audit and other assurance services

	2022 $	2021 $
Audit and review of financial statements	**995,000**	935,125
Other assurance services		
Regulatory audit services	**268,549**	256,839
Ringfencing compliance audit services	**68,000**	-
Review of debt offering documents	**-**	100,000
IT controls review	**91,000**	50,000
Total remuneration for audit and other assurance services	**1,422,549**	1,341,964

(ii) Other non-assurance services

Tax compliance services	**108,500**	108,500
Accounting advisory services	**25,000**	-
Total remuneration for other non-assurance services	**133,500**	108,500
Total remuneration	**1,556,049**	1,450,464

21 Capital expenditure commitments

Commitments for the acquisition of property, plant and equipment and intangible assets not recognised in the consolidated financial statements at the reporting date is as follows:

	2022 $M	2021 $M
Within one year	**283**	135
Later than one year but no later than five years	**33**	14
	316	149

22 Leases

Lease receivables - leases as lessor

The Ausgrid Group leases out its properties, including premises, land and network assets, under operating lease agreements at market rentals, predominantly on a fixed term basis. The future minimum lease receivables under non-cancellable leases are as follows:

	2022 $M	2021 $M
Within one year	**9**	4
Later than one year but no later than five years	**18**	4
Later than five years	**6**	5
	33	13

23 Contingent liabilities and contingent assets

	2022 $M	2021 $M
Contingent liabilities		
Guarantees provided to regulatory and statutory authorities	**40**	43
Guarantees provided to external parties	**6**	5
	46	48
Contingent assets		
Potential recoveries from workers compensation claims	**2**	1
	2	1

The guarantees provided to regulatory and statutory authorities relate to bank guarantees in place in relation to the Ausgrid Group's self-insured workers compensation.

24 Group entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policies described in Note 1 for which AOP is the parent entity. All entities are incorporated in Australia.

Name of entity
AAP
Ausgrid Management Pty Limited
Ausgrid Finance Pty Limited
PLUS ES
PLUS ES Management 1 Pty Limited
PLUS ES Management 2 Pty Limited
Active Stream Pty Limited

25 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities:

	2022 $M	2021 $M
Profit for the year	**680**	234
Add/(less) non-cash items:		
Depreciation and amortisation	**641**	678
Non-cash capital contributions	**(124)**	(117)
Unwinding of government grants	**(1)**	(1)
Amortisation of loan transaction costs	**18**	23
Hedge ineffectiveness	**10**	(16)
Capitalised interest	**(5)**	(5)
Interest accrual	**(4)**	(4)
Adjustments to SFA	**3**	2
Net (gain)/loss on disposal of property, plant and equipment	**(247)**	6
Changes in assets and liabilities:		
Trade and other receivables	**2**	9
Contract assets	**(13)**	(15)
Prepayments	**2**	(8)
Inventories	**-**	8
Trade and other payables	**14**	(4)
Contract liabilities	**(8)**	20
Provisions	**(1)**	(8)
Other liabilities	**1**	-
Net cash inflow from operating activities	**968**	802

26 Financial risk management

(a) Financial risk management objectives and policies

The Ausgrid Group is involved in activities that expose it to a variety of financial risks including credit risk, currency risk, interest rate risk and liquidity risk. In accordance with Board approved financial risk management policies, financial instruments may be used to hedge the exposure to fluctuations in exchange rates and interest rates. The Board reviews and approves policies for managing each of the key financial risks.

Management of financial risk is carried out by a centralised treasury function which operates under Board approved policies. In addition to the centralised treasury function, external support is acquired from experts in various fields. The Board approved Ausgrid Group Treasury Policy provides clear guidelines in respect of the management of the financial risks of the Ausgrid Group and is designed to reflect the strategic risk management objectives of the Board.

The objective of the Ausgrid Group's financial risk management strategy is to protect the Ausgrid Group's cash flows, profitability and reputation and use reasonable endeavours to maintain a bbb/baa2 baseline credit assessment and not less than bbb-/baa3 (S&P Global Ratings and/or Moody's Investor Services). This includes the need to ensure that sufficient liquidity is available to fund its strategic business plans. Identification and analysis of relevant financial risks and their impact on the achievement of the Ausgrid Group's objectives forms the basis for determining how such risks should be managed. The forecast financial position for the Ausgrid Group is regularly monitored and financial instruments may be used within approved guidelines to hedge exposure to fluctuations in exchange rates and interest rates.

26 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of sustaining a financial loss as a result of the default by a counterparty to make full and timely payments on transactions which have been executed, after allowing for set-offs which are legally enforceable.

The credit risk on financial assets of the Ausgrid Group which have been recognised on the consolidated statement of financial position is the carrying amount, net of any expected credit losses.

Credit risk arises from investments in cash and cash equivalents with banks, derivative financial instruments and credit exposure to customers and/or suppliers. Credit risk also arises from bank facilities which offer committed lines of credit, overdraft facilities, transaction banking services and financial guarantees, which may not be honoured when relied upon. The Ausgrid Group's credit exposure is predominantly with investment grade rated corporations or government owned entities in the energy industry. Where a counterparty is a non-government owned corporation, its credit worthiness is monitored in accordance with the Ausgrid Group Treasury Policy.

The Ausgrid Group Treasury Policy outlines how credit risk exposure will be measured. All credit and recovery risks associated with trade receivables have been provided for in the financial statements.

The credit risk on trade and other receivables and accrued income from unread meters of the Ausgrid Group that have been recognised in the consolidated statement of financial position, is generally the carrying amount net of any impairment provision.

There is no significant credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The loss allowance provision as at 30 June 2022 is determined as follows. The expected credit losses below also incorporate forward looking information:

	Current	Less than 3 months past due	3 to 6 months past due	Later than 6 months past due	Total
2022					
Expected loss rate	**0.16%**	**39.73%**	**30.30%**	**23.62%**	
Gross carrying amount ($M)	**565**	**8**	**2**	**3**	**578**
Loss allowance provision ($M)	**-**	**(3)**	**(1)**	**(1)**	**(5)**
Net receivables and contract assets	**565**	**5**	**1**	**2**	**573**
2021					
Expected loss rate	0.13%	6.96%	17.54%	20.20%	
Gross carrying amount ($M)	362	7	3	4	376
Loss allowance provision ($M)	-	-	(1)	(1)	(2)
Net receivables and contract assets	362	7	2	3	374

(c) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Ausgrid Group may also be exposed to foreign currency risk in respect of purchases of capital equipment that are denominated in a currency other than AUD.

26 Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

The Ausgrid Group uses forward exchange contracts and CCIRS to hedge its foreign currency risk for all foreign exchange exposures that exceed $5 million in value.

The Ausgrid Group may issue debt in a foreign currency and uses CCIRS contracts to hedge foreign currency risk arising from the foreign currency debt.

Sensitivity

The Ausgrid Group is primarily exposed to changes in US$/A$ and EUR/A$ exchange rates. The sensitivity of profit or loss and other components of equity to changes in the spot exchange rates arises from USD and EUR denominated financial instruments designated in cash flow hedges.

	Impact on post-tax profit		Impact on other components of equity	
	2022 $M	2021 $M	**2022 $M**	2021 $M
US$/A$ exchange rate - increase 10%[1]	**3**	5	**(18)**	(16)
US$/A$ exchange rate - decrease 10%[1]	**(2)**	(7)	**20**	27
EUR/A$ exchange rate - increase 10%[1]	**2**	-	**-**	-
EUR/A$ exchange rate - decrease 10%[1]	**(5)**	(1)	**2**	2

(1) Holding all other variables constant

The Ausgrid Group has USD and EUR denominated foreign currency borrowings. The effects of the foreign currency related hedging instruments on the Ausgrid Group's financial position and performance are as follows:

Derivative financial instruments - CCIRS (USPP and US144A)

	2022	2021
Carrying amount ($M)	**479**	105
Notional amount in USD ($M)	**2,630**	2,630
Maturity	**May 2023 - Oct 2032**	May 2023 - Oct 2032
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**459**	142
Change in value of derivative used to determine hedge effectiveness ($M)	**463**	121
Weighted average hedged exchange rate for the year	**0.78**	0.78

Derivative financial instruments - CCIRS (EMTN)

Carrying amount ($M)	**(94)**	(36)
Notional amount in EUR ($M)	**1,175**	650
Maturity	**Jul 2025 - Oct 2031**	Jul 2025
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**(105)**	(15)
Change in value of derivative used to determine hedge effectiveness ($M)	**(108)**	(19)
Weighted average hedged exchange rate for the year	**0.62**	0.63
Balances remaining in the cash flow hedge reserve for hedge relationships terminated due to novation	**(1)**	-

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Ausgrid Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Ausgrid Group to cash flow interest rate risk.

In accordance with Board approved policies, the Ausgrid Group ensures that its debt portfolio is managed within a risk framework including weighted average debt maturity and debt maturity in any 12 month period. As at the end of the reporting period, the Ausgrid Group has derivative financial instruments in place (IRS and CCIRS) which have been valued using valuation techniques with market observable inputs.

Instruments used by the Ausgrid Group

IRS are used to hedge interest cost and manage the variable rate exposure of total debt. Interest rates are fixed by putting in place IRS contracts which exchange floating rate obligations into fixed rate obligations. The interest cost on 98.5% (2021: 99.1%) of total debt outstanding is fixed.

As at the end of the reporting period, the Ausgrid Group had the following variable rate borrowings and IRS contracts outstanding:

2022	**Weighted average interest rate %**	**Balance $M**	**% of total loans**
Bank overdrafts, bank loans and note issuances[1]	**1.66**	**11,830**	**100.0%**
IRS (notional principal amount)[2]	**2.14**	**11,650**	**98.5%**
Net exposure to cash flow interest rate risk	**0.93 - 2.10**	**180**	**1.5%**

(1) Includes fixed rate note issuance swapped into floating rate AUD obligation

(2) Excludes forward starting swaps commencing post 30 June 2022

2021			
Bank overdrafts, bank loans and note issuances	1.44	12,158	100.0%
IRS (notional principal amount)	2.20	12,055	99.1%
Net exposure to cash flow interest rate risk	0.91 - 1.90	103	0.9%

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The interest rate profile for the Ausgrid Group's interest bearing financial instruments (excluding lease liabilities) at the reporting date was:

	2022		2021	
	Notional in AUD $M	**Notional swapped to fixed AUD via CCIRS/IRS $M**	Notional in AUD $M	Notional swapped to fixed AUD via CCIRS/IRS $M
A$ denominated fixed rate liability	**1,720**	**1,720**	1,720	1,720
US$ denominated fixed rate liability	**3,364**	**3,364**	3,364	3,364
EUR denominated fixed rate liability	**1,882**	**1,882**	1,037	1,037
A$ denominated floating rate liability	**4,864**	**4,684**	6,037	5,934
	11,830	**11,650**	12,158	12,055

The proportion of net debt exposed to floating rates is 1.5% (2021: 0.9%)

The Ausgrid Group accounts for all its fixed rate financial assets and liabilities at amortised cost. The Ausgrid Group has variable rate financial liabilities at the reporting date. The Ausgrid Group's borrowings are 98.5% hedged (2021: 99.1%). A change in interest rates by one percentage point at the reporting date would have an impact on the Ausgrid Group's profit or loss or equity as discussed below.

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity are sensitive to an increase/(decrease) in the fair value of the cash flow hedges of borrowings.

	Impact on post-tax profit		**Impact on other components of equity**	
	2022 $M	2021 $M	**2022 $M**	2021 $M
Interest rates - increase by 1%[1]	**2**	2	**393**	551
Interest rates - decrease by 1%[1]	**(5)**	(4)	**(418)**	(581)

(1) Holding all other variables constant

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The effects of the interest rate related hedging instruments on the Ausgrid Group financial position and performance are as follows:

Derivative financial instruments - IRS[1]

	2022	2021
Carrying amount ($M)	**622**	(521)
Notional amount ($M)	**13,560**	14,235
Maturity	**Jul 2022 - Jul 2032**	Jul 2021 - Jul 2031
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**648**	(518)
Change in value of derivative used to determine hedge effectiveness ($M)	**649**	(521)
Weighted average hedged rate for the year (%)	**2.22**	2.26
Balances remaining in the cash flow hedge reserve for hedge relationships terminated due to novation	**(27)**	-

(1) Designated as fair value hedges and cash flow hedges

Derivative financial instrument - CCIRS

	2022	2021
Carrying amount ($M)	**(293)**	324
Notional amount ($M)	**5,602**	4,527
Maturity	**May 2023 - Oct 2032**	May 2023 - Oct 2032
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**(255)**	322
Change in value of derivative used to determine hedge effectiveness ($M)	**(293)**	324
Weighted average hedged rate for the year (%)	**2.92**	3.21

(d) Capital risk management

The Ausgrid Group's objectives are to maintain an appropriate capital structure to enable an appropriate return on equity and efficient investment decisions to be made on a commercial basis.

The Ausgrid Group maintains an appropriate capital structure in consideration of the following criteria:

- Maintain a bbb/baa2 baseline credit assessment and not less than bbb-/baa3 in accordance with the Ausgrid Group Treasury Policy.
- Provision of an appropriate return to shareholders without compromising the principles or objectives of the Ausgrid Group Treasury Policy.
- Ability to meet key debt service criteria, based on industry benchmarks.
- Capacity to finance the approved capital expenditure program through internally generated cash flows and debt, with consideration of the current phase of the investment cycle.
- Provision of sufficient flexibility for relevant contingencies.

Key financial covenants include a debt to RAB ratio of less than 90% and a cash flow coverage ratio of greater than 1.2 times interest expense. These have been complied with during the year.

26 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk of difficulty in ensuring the availability of sufficient funds to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Ausgrid Group Treasury Policy provides an appropriate framework for the management of the Ausgrid Group's short, medium and long-term funding and liquidity management requirements.

The Ausgrid Group's liquidity risks are managed with the availability of readily accessible standby facilities and other funding arrangements placing surplus funds on deposit.

(i) Maturities of financial liabilities

The table below categorises the Ausgrid Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For the derivatives, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

26 Financial risk management (continued)

(e) Liquidity risk (continued)

(i) Maturities of financial liabilities (continued)

Contractual maturities of financial liabilities 2022	Less than 6 months $M	6 - 12 months $M	Between 1 and 2 years $M	Between 2 and 5 years $M	Over 5 years $M	Total contractual cash flows $M	Carrying amount $M
Non-derivatives							
Trade payables	**338**	**-**	**-**	**-**	**-**	**338**	**338**
Loans and notes	**342**	**916**	**1,765**	**5,331**	**5,343**	**13,697**	**11,740**
Lease liabilities	**4**	**4**	**7**	**11**	**128**	**154**	**38**
Total non-derivatives	**684**	**920**	**1,772**	**5,342**	**5,471**	**14,189**	**12,116**
Derivatives							
IRS	**(1)**	**13**	**37**	**80**	**10**	**139**	**124**
CCIRS	**4**	**44**	**80**	**113**	**24**	**265**	**248**
Total derivatives	**3**	**57**	**117**	**193**	**34**	**404**	**372**
	687	**977**	**1,889**	**5,535**	**5,505**	**14,593**	**12,488**
2021							
Non-derivatives							
Trade payables	302	-	-	-	-	302	302
Loans and notes	141	1,498	937	5,477	6,107	14,160	12,572
Lease liabilities	2	2	3	10	127	144	29
Total non-derivatives	445	1,500	940	5,487	6,234	14,606	12,903
Derivatives							
IRS	88	82	137	212	46	565	632
Total derivatives	88	82	137	212	46	565	632
	533	1,582	1,077	5,699	6,280	15,171	13,535

26 Financial risk management (continued)

(f) Recognised fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table presents the Ausgrid Group's assets and liabilities measured and recognised at fair value at the reporting date.

2022	Notes	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Recurring fair value measurements					
Derivatives	15	**-**	**715**	**-**	**715**
Total		**-**	**715**	**-**	**715**
Non-recurring fair value measurements					
Assets classified as held for sale	8	**-**	**-**	**5**	**5**
Total		**-**	**-**	**5**	**5**
2021					
Recurring fair value measurements					
Derivatives	15	-	(122)	-	(122)
Total		-	(122)	-	(122)
Non-recurring fair value measurements					
Assets classified as held for sale	8	-	-	5	5
Total		-	-	5	5

The carrying amounts of financial instruments which are not measured at fair value in the statement of financial position approximate their fair values.

(g) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using maximum observable market input data, which include prices from observable current market transactions and dealer quotes for similar instruments.

26 Financial risk management (continued)

(h) Non-recurring fair value measurements

Non-current assets classified as held for sale during the reporting period are measured at the lower of their carrying amount and FVLCOD and are included in Level 3.

Assets held for sale comprises land and buildings transferred from property, plant and equipment. The valuation techniques and significant input used in the calculation have been discussed under Note 1(n).

(i) Fair value versus carrying amount

The carrying amounts and fair values of financial assets and liabilities at the reporting date are:

		2022		2021	
	Notes	**Carrying amount $M**	**Fair value $M**	Carrying amount $M	Fair value $M
Financial assets carried at amortised cost					
Cash and cash equivalents		**432**	**432**	249	249
Trade and other receivables	7	**283**	**283**	97	97
Contract assets	7	**290**	**290**	277	277
Total financial assets		**1,005**	**1,005**	623	623
Financial liabilities carried at amortised cost					
Loans and notes	12(a)	**11,740**	**11,580**	12,572	13,159
Lease liabilities	12	**38**	**38**	29	29
Trade and other payables	11	**338**	**338**	302	302
Deposits	14	**1**	**1**	1	1
Total financial liabilities		**12,117**	**11,957**	12,904	13,491

27 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Ausgrid Group, the results of those operations or the state of affairs of the Ausgrid Group in subsequent financial years.

In the Directors' opinion:

(a) the consolidated financial statements and notes, as set out on pages 2 to 57 are in accordance with the Partnership Deeds, and:

  (i) comply with Accounting Standards as described in Note 1 to the consolidated financial statements and other mandatory professional reporting requirements;

  (ii) give a true and fair view of the Ausgrid Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and in accordance with the accounting policies described in Note 1 to the consolidated financial statements; and

(b) there are reasonable grounds to believe that the Ausgrid Group will be able to pay its debts as and when they become due and payable.

Note 1(a)(i) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer consistent with the listed entity requirement under section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Dr Helen Nugent AC 24/08/2022 2:14 PM
Director

24 August 2022

Robert Wright 24/08/2022 4:27 PM
Chairman Audit Committee

24 August 2022

Independent auditor's report

To the partners of the Ausgrid Group

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of the Ausgrid Group as at 30 June 2022 and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1.

The Ausgrid Group (the Group) comprises Ausgrid Operator Partnership (AOP), Ausgrid Asset Partnership (AAP) and PLUS ES Partnership (PLUS ES) and the respective entities that they controlled at year end or from time to time during the financial year.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

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individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall materiality of $36 million, which represents approximately 2.5% of the budgeted Group earnings before interest, tax, depreciation, and amortisation (EBITDA). The EBITDA is adjusted to exclude other income earned outside of the ordinary course of business for the Group, such as gains on sales of assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose EBITDA because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group has operations across Sydney, the Central Coast and the Hunter region within New South Wales, with the accounting functions led from the Group's corporate head office in Sydney and Wallsend in Newcastle. • The Group is made up of 2 cash generating units. AOP & AAP and the entities they control represent the Network Service Provider ("NSP") CGU and PLUS ES and the entities it controls represent the PLUS ES CGU (as detailed in Note 10a). • We conducted an audit of the financial information of the Group which consists of the NSP and PLUS ES CGUs.	• Amongst other relevant topics, we communicated the following key audit matter to the Audit Committee: - Compulsory acquisition of 33 Bligh Street • This has been further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Compulsory acquisition of 33 Bligh Street *(Refer to note 2)* In November 2021, the Group's property on 33 Bligh Street in the Sydney CBD was subject to a compulsory acquisition by the NSW Government, which resulted in the transfer of ownership of the property from the Group to Sydney Metro at the time of the compulsory acquisition. However, as of 30 June 2022, a final transaction price has not yet been determined. The accounting for compulsory acquisition of the Bligh Street property is considered a key audit matter due to: 1. The significant judgement and uncertainty involved in determining the transaction price for the compulsory acquisition; and 2. The size of the transaction relative to other asset divestments undertaken during the year.	We performed the following procedures, amongst others: • Reconciled the offer price from Sydney Metro to the signed letter of offer. • Considered the mechanisms within the compulsory acquisition process, which stage the Group is currently at, and how this would impact the final transaction price. • Assessed alternative scenarios and considered the possibility of the most likely price at which the income recognised will not have to be reversed in a future period. • Assessed the valuation prepared for Sydney Metro by an independent third-party valuer for the Bligh Street property. • Assessed whether the disclosures within the financial statements are reasonable in light of the requirements of the Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared by the directors to meet the information needs of the partners of AOP, AAP and PLUS ES as required under the Partnership Deeds dated 20 October 2016 (AOP and AAP) and 1 November 2017 (PLUS ES). As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the partners of the Ausgrid Group.

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the accounting policies described in Note 1, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Craig Thomason
Partner

Sydney
24 August 2022

Glossary

AAP	Ausgrid Asset Partnership
AASB	Australian Accounting Standards Board
AASB 8	AASB 8 Operating Segments
AASB 9	AASB 9 Financial Instruments
AASB 13	AASB 13 Fair Value Measurement
ACS	Alternative Control Services
AER	Australian Energy Regulator
AMTN	Australian Medium Term Note
ANS	Ancillary Network Services
AOP	Ausgrid Operator Partnership
APG	APG Asset Management
ASF	Asian Syndicated Facility
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AUD	Australian Dollars
Ausgrid Group	AOP (parent entity), AAP, PLUS ES and their respective controlled entities
BBSW/BBSY	Bank Bill Swap Rate
Blue AAP	Blue Asset Partner Trust
Blue AOP	Blue Op Partner Trust
Blue PLUS ES	Blue PLUS ES Partner Trust
CBA	Commonwealth Bank of Australia
CCF	Climate Change Fund
CCIRS	Cross Currency Interest Rate Swaps
CGU	Cash-generating Unit
CODM	Chief Operating Decision Makers as defined by AASB 8 Operating Segments
CPI	Consumer Price Index
DNSP	Distribution Network Service Provider
DUOS	Distribution Use of System
EMTN	Euro Medium Term Note
ERIC Partners	Electricity Retained Interest Corporation vehicles

Glossary (continued)

FVLCOD	Fair Value Less Costs of Disposal
GST	Goods and Services Tax
Gazette	NSW Government Gazette
HSBC	The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
IRS	Interest Rate Swaps
IT	Information Technology
LIBOR	London Interbank Offered Rate
MAR	Maximum Allowable Revenue
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NSP	Network Service Provider
NSW	New South Wales
NUOS	Network Use of System
PCB	Polychlorinated Biphenyls
PLUS ES	PLUS ES Partnership
RAB	Regulated Asset Base
ROU	Right of Use
SaaS	Software-as-a-Service
S&P	Standard and Poor's
SCS	Standard Control Services
SFA	Syndicated Facility Agreement
the Fund	Divisions B, C and D in the Scheme. These divisions provide defined benefits and are referred to collectively as 'the Fund'
the Scheme	The Energy Industries Superannuation Scheme
TNSP	Transmission Network Service Provider
TUOS	Transmission Use of System
USPP	US Private Placement
VIU	Value in Use

Ausgrid Group

Annual report
30 June 2021

Ausgrid Group

Annual report
30 June 2021

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Ausgrid Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Notes	**2021 $M**	2020 $M
Revenue	3	**2,330**	2,291
Distribution of energy costs	4(a)	**(425)**	(397)
Depreciation and amortisation expense	4(c)	**(678)**	(639)
Finance costs	4(d)	**(446)**	(478)
Employee benefits expense	4(b)	**(297)**	(309)
Other expenses	4(b)	**(244)**	(266)
Net loss on disposal of property, plant and equipment		**(6)**	(10)
Profit before income tax		**234**	192
Income tax expense		**-**	-
Profit for the year		**234**	192
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges		**415**	(317)
Income tax relating to these items	5	**(124)**	95
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation actuarial gain/(loss)	18(c)	**24**	(13)
Income tax relating to these items	5	**(8)**	4
Other comprehensive income/(loss) for the year		**307**	(231)
Total comprehensive income/(loss) for the year		**541**	(39)
Profit/(loss) for the year attributable to Partners:			
Ausgrid Operator Partnership (**AOP**)		**168**	244
Ausgrid Asset Partnership (**AAP**)		**60**	(46)
PLUS ES Partnership (**PLUS ES**)		**6**	(6)
Profit for the year		**234**	192
Total comprehensive income/(loss) for the year attributable to Partners:			
AOP		**184**	235
AAP		**351**	(268)
PLUS ES		**6**	(6)
Total comprehensive income/(loss) for the year		**541**	(39)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Ausgrid

Ausgrid Group
Consolidated statement of financial position
As at 30 June 2021

	Notes	2021 $M	2020 $M
Current assets			
Cash and cash equivalents		**249**	403
Trade and other receivables	7	**59**	71
Contract assets	7	**277**	262
Prepayments		**34**	26
Inventories		**22**	31
Assets classified as held for sale	8	**5**	4
Total current assets		**646**	797
Non-current assets			
Property, plant and equipment	9	**16,931**	16,925
Intangible assets	10	**3,582**	3,641
Derivative financial assets	15	**510**	1,146
Deferred tax assets	6	**173**	305
Other receivables	7	**3**	-
Total non-current assets		**21,199**	22,017
Total assets		**21,845**	22,814
Current liabilities			
Trade and other payables	11	**267**	266
Contract liabilities	14	**8**	6
Borrowings	12	**1,364**	3
Provisions	13	**275**	280
Deferred government grants		**2**	2
Other liabilities	14	**5**	5
Total current liabilities		**1,921**	562
Non-current liabilities			
Contract liabilities	14	**64**	36
Borrowings	12	**11,237**	13,760
Derivative financial liabilities	15	**632**	991
Provisions	13	**105**	119
Deferred government grants		**38**	39
Total non-current liabilities		**12,076**	14,945
Total liabilities		**13,997**	15,507
Net assets		**7,848**	7,307

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Notes	2021 $M	2020 $M
Equity attributable to Partners of AOP			
Contributed equity	16	**1,716**	1,716
Reserves		**23**	7
Retained earnings	17	**(94)**	(262)
Total equity attributable to Partners of AOP		**1,645**	1,461
Equity attributable to Partners of AAP			
Contributed equity	16	**7,021**	7,021
Reserves		**(427)**	(718)
Retained earnings	17	**(552)**	(612)
Total equity attributable to Partners of AAP		**6,042**	5,691
Equity attributable to Partners of PLUS ES			
Contributed equity	16	**183**	183
Retained earnings	17	**(22)**	(28)
Total equity attributable to Partners of PLUS ES		**161**	155
Total equity attributable to Partners of the Ausgrid Group		**7,848**	7,307

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of changes in equity
For the year ended 30 June 2021

	Contributed equity $M	Cash flow hedge reserve $M	Defined benefit superannuation reserve $M	Retained earnings $M	Total $M
Balance at 1 July 2020	**8,920**	**(718)**	**7**	**(902)**	**7,307**
Profit for the year	**-**	**-**	**-**	**234**	**234**
Other comprehensive income					
Changes in the fair value of cash flow hedges - AAP and PLUS ES	**-**	**291**	**-**	**-**	**291**
Defined benefit superannuation actuarial gain - AOP	**-**	**-**	**16**	**-**	**16**
Total other comprehensive income	**-**	**291**	**16**	**-**	**307**
Total comprehensive income for the year	**-**	**291**	**16**	**234**	**541**
Balance at 30 June 2021	**8,920**	**(427)**	**23**	**(668)**	**7,848**
Closing balance of equity attributable to					
AOP	**1,716**	**-**	**23**	**(94)**	**1,645**
AAP	**7,021**	**(427)**	**-**	**(552)**	**6,042**
PLUS ES	**183**	**-**	**-**	**(22)**	**161**
Balance at 30 June 2021	**8,920**	**(427)**	**23**	**(668)**	**7,848**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Contributed equity $M	Cash flow hedge reserve $M	Defined benefit superannuation reserve $M	Retained earnings $M	Total $M
Balance at 1 July 2019	8,890	(496)	16	(1,064)	7,346
Profit for the year	-	-	-	192	192
Other comprehensive income					
Changes in the fair value of cash flow hedges - AAP and PLUS ES	-	(222)	-	-	(222)
Defined benefit superannuation actuarial loss - AOP	-	-	(9)	-	(9)
Total other comprehensive loss	-	(222)	(9)	-	(231)
Total comprehensive income/(loss) for the year	-	(222)	(9)	192	(39)
Transactions recorded directly in equity:					
Contributed equity	30	-	-	-	30
Distributions paid	-	-	-	(30)	(30)
Total transactions	30	-	-	(30)	-
Balance at 30 June 2020	8,920	(718)	7	(902)	7,307
Closing balance of equity attributable to					
AOP	1,716	-	7	(262)	1,461
AAP	7,021	(718)	-	(612)	5,691
PLUS ES	183	-	-	(28)	155
Balance at 30 June 2020	8,920	(718)	7	(902)	7,307

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of cash flows
For the year ended 30 June 2021

	Notes	**2021 $M**	2020 $M
Cash flows from operating activities			
Receipts from customers		**2,214**	2,237
Payments to suppliers and employees		**(970)**	(1,130)
Interest received		**1**	2
Interest paid		**(443)**	(449)
Net cash inflow from operating activities	25	**802**	660
Cash flows from investing activities			
Payments for property, plant and equipment		**(498)**	(621)
Payments for intangible assets		**(39)**	(54)
Proceeds from sale of property, plant and equipment		**60**	4
Net cash outflow from investing activities		**(477)**	(671)
Cash flows from financing activities			
Equity injection from Partners		**-**	30
Proceeds from borrowings		**1,455**	1,988
Repayment of borrowings		**(1,929)**	(1,745)
Transaction costs paid		**(5)**	(16)
Distributions		**-**	(30)
Net cash (outflow)/inflow from financing activities		**(479)**	227
Net (decrease)/increase in cash and cash equivalents		**(154)**	216
Cash and cash equivalents at the beginning of the year		**403**	187
Cash and cash equivalents at the end of the year		**249**	403

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

This annual report is for the consolidated financial statements of AOP (parent entity), AAP, PLUS ES and their respective controlled entities (**Ausgrid Group**) for the year ended 30 June 2021.

Ausgrid Group is domiciled in Australia. Its registered office and principal place of business is 24-28 Campbell Street, Sydney NSW 2000.

Ausgrid Group is a stapled structure comprised of AOP, AAP and PLUS ES. The accounting standards require one parent entity in a consolidated group, so for the purpose of preparing these consolidated financial statements only, AOP was identified as the parent. AOP and its partnership entities, AAP and PLUS ES, were established on 20 October 2016 (AOP and AAP) and 1 November 2017 (PLUS ES), on the signing of the respective Partnership Deeds. A 50/50 consortium comprising IFM Investors and AustralianSuper holds 50.4% partnership interest and the New South Wales (**NSW**) State Government (through various corporations established in accordance with the *Electricity Retained Interest Corporation Act 2015 (NSW)*) holds 49.6% partnership interest in AOP, AAP and PLUS ES.

In June 2021, the Ausgrid Group was notified that one of its investors, AustralianSuper, was presently considering its options concerning a partial sale of its 25.2% interest in the Ausgrid Group. In the event of a sale, IFM Investors would have a first right of offer over any holdings proposed for divestment by AustralianSuper in the Ausgrid Group.

The NSW State Government's 49.6% interest in the Ausgrid Group will remain unchanged.

Pursuant to the Partnership Deeds, all the Partners agreed to ensure equivalence in that the proportion of Partnership interest held by each Partner should be identical between AOP, AAP and PLUS ES.

On 1 December 2016, AAP entered into a 99 year finance lease to lease the Ausgrid Group's electricity distribution and transmission network assets from the NSW State Government. On the same date, these assets were leased from AAP to AOP through a 98 year 364 day sublease, and AOP was granted a license to operate the network assets by the NSW State Government.

The Ausgrid Group is the controller, operator and manager of the distribution network and parts of the transmission network covering Sydney, the Central Coast and the Hunter Region of NSW and provides electricity services to both residential and commercial customers in NSW. AOP is both a Distribution Network Service Provider (**DNSP**) and a Transmission Network Service Provider (**TNSP**) in the National Electricity Market (**NEM**) which is regulated by the Australian Energy Regulator (**AER**). Over a regulatory control period, the AER determines the annual expected revenue that the Ausgrid Group is allowed to recover from customers based on the framework set out in the National Electricity Law (**NEL**) and National Electricity Rules (**NER**). The Ausgrid Group distributes electricity on behalf of energy retailers to their customers within Ausgrid Group's network area. The retailers pay the Ausgrid Group for the provision of network services to their customers according to the regulated network tariffs approved by the AER, and for related metering and ancillary network services provided to the retailers' customers.

The Ausgrid Group also delivers street lighting services to local councils and unregulated services with a focus on contestable metering, infrastructure services and emerging energy solutions.

These financial statements were authorised for issue by the Directors on 23 August 2021.

(a) Basis of preparation

These general purpose financial statements have been prepared to meet the information needs of the Partners of AOP, AAP and PLUS ES as required under the Partnership Deeds dated 20 October 2016 (AAP and AOP) and 1 November 2017 (PLUS ES), and in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (**AASB**). The Ausgrid Group is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Ausgrid Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Historical cost convention

These financial statements are prepared on a historical cost basis, except for the following:

- derivative financial instruments which are measured at their fair value;
- defined benefit plan which is measured at fair value; and
- assets classified as held for sale which are measured at the lower of their carrying value or Fair Value Less Costs of Disposal (**FVLCOD**).

(iii) Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Ausgrid Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

(iv) Going concern

As at 30 June 2021, the Ausgrid Group has net current liabilities of $1,275 million (30 June 2020: net current assets of $235 million) due to $1,364 million of borrowings being classified as current borrowings as it matures within the next 12 months (refer to Note 12 for details).

The Directors have considered the following factors in determining whether the Ausgrid Group can pay its debts as and when they fall due for the next 12 months:

- The Ausgrid Group generated net operating cash inflows of $802 million for the year ended 30 June 2021 (2020: $660 million). The Ausgrid Group is forecasting a positive cash balance for the next 12 months.
- The Ausgrid Group has available cash and cash equivalents of $249 million (2020: $403 million) and undrawn bank facilities of $473 million as at 30 June 2021 (2020: $211 million).
- The Ausgrid Group Treasury Policy requires that the refinancing of maturing debt is commenced no later than 12 months before the relevant maturity. Consistent with this policy, the relevant program documentation has been updated which will enable access to domestic and international bond markets. Refinancing of Term Facility B1 of the Syndicated Facility Agreement (**SFA**) is targeted for the first half of the 2022 financial year and well ahead of maturity on 1 June 2022. Potential options include the Australian Medium Term Note (**AMTN**), US Private Placement (**USPP**), Euro Medium Term Note (**EMTN**) and bank markets.
- The Ausgrid Group's credit rating was reaffirmed by Moody's in October 2020 and Standard and Poor's (**S&P**) in July 2021 with a stable rating outlook. This supports continued access to bank lending and capital markets, with $1.22 billion refinanced during the year (refer to Note 12 for details).
- On 2 July 2021, the Ausgrid Group renegotiated its existing $721 million Capex Facility and $250 million Working Capital Facility and extended the maturity by two years (refer to Note 27 for details). A total of $450 million drawn under these facilities was included in the $1,364 million of current borrowings at 30 June 2021.
- According to the Partnership Deeds, each Partner is responsible for discharging the liabilities of the Partnerships in proportion with their respective Partnership interest, and indemnifies each other Partner from the default of the liabilities. Accordingly, the Partners will provide continuing financial support so that the Ausgrid Group is able to pay its debts as and when they fall due.

On 11 March 2020, the World Health Organisation declared Coronavirus (**COVID-19**) a global health pandemic. The consolidated financial statements reflect the material impacts of COVID-19 including appropriate measurement, presentation, disclosure and going concern assessment. Refer to Note 2 for further details.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Going concern (continued)

The Directors do not foresee a significant impact on the Ausgrid Group's access to capital or liquidity position as a result of the COVID-19 pandemic. Given the Ausgrid Group provides a regulated essential service and currently maintains a strong financial position, is forecasting a positive cash balance for the next 12 months, and has available undrawn borrowing facilities, the consolidated financial statements have been prepared on a going concern basis.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Ausgrid Group as at 30 June 2021. Group transactions, balances and unrealised gains and losses on transactions between group entities are eliminated.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Ausgrid Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Australian Dollars (**AUD**), which is the functional and presentation currency of each entity in the Ausgrid Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income or operating expenses.

(d) Storm costs pass-through application

During the previous financial year ended 30 June 2020, major storm events caused significant damage to the Ausgrid Group network. The damage caused by these storms interrupted power to a large number of customers and required an Ausgrid-wide effort, supported by other distribution networks and third parties, to restore power quickly and safely to impacted customers. As a result of the financial impact of these storms, the Ausgrid Group submitted a pass-through application to the AER. In December 2020, the AER approved a pass-through amount of $26 million related to the February 2020 storm, comprising of $14 million operating expenditure and $12 million capital expenditure. The operating expenditure will be recovered via an increased revenue allowance across the remainder of the current regulatory period, and capital expenditure will be recovered over the life of the assets created during the storm recovery.

(e) Revenue recognition

Revenue is recognised when the relevant performance obligations embedded in contracts with customers are satisfied, i.e. when the control of a good or service transfers to a customer. Performance obligations are completed at a point in time or over time. Revenue is recognised for the major business activities of the Ausgrid Group as follows:

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(i) Network use of system revenue

Network Use of System (**NUOS**) revenue represents the rendering of electricity network services to customers within the Ausgrid Group's network area. Upon delivery of electricity, customers receive and consume the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the 'right to invoice' practical expedient, and recognises revenue based on the billing amount which is determined based on the relevant tariff multiplied by the electricity consumption volume, as well as the number of network access days and a demand or capacity charge (if applicable). The Ausgrid Group bills retailers weekly and monthly. Revenue associated with unbilled services is recognised as described in unread meters below.

NUOS revenue includes three components: Distribution Use of System (**DUOS**) revenue, Transmission Use of System (**TUOS**) revenue and revenue to recover the Ausgrid Group's annual contribution to the NSW Climate Change Fund (**CCF**). DUOS revenue relates to customer use of the Ausgrid Group's distribution network. TUOS revenue relates to customer use of the Ausgrid Group's transmission network, and also includes revenue to recover transmission costs paid to TNSPs and embedded generators.

(ii) Excess/shortfall in regulatory revenue

(a) DUOS

The Ausgrid Group's allowed DUOS revenues for a five year regulatory period are set by the AER as part of the regulatory determination process. Under this framework, where such DUOS revenues exceed or fall below the Ausgrid Group's Maximum Allowable Revenue (**MAR**), as determined by the AER, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(b) TUOS

TUOS revenue relates to customers use of the Ausgrid Group's transmission network allowed under the MAR, and also includes revenue to recover transmission costs paid to TNSPs and embedded generators. Where such TUOS revenue exceeds or is below the actual transmission costs paid to TNSPs and embedded generators, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(c) CCF revenue

CCF revenue operates as a pass-through to customers based on payments made to the NSW CCF. Where such revenue exceeds or is below actual contributions paid to the NSW Office of Environment & Heritage, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(iii) Unread meters

Applying the expected value method, the unread meters accrual is an estimate of the NUOS charges associated with the rendering of electricity distribution services not invoiced at the end of each reporting period. The accrual for unread meters includes both meters that have been read but not yet billed and meters that have not been read as at the reporting date. The methodology used by the Ausgrid Group reflects a bottom up approach where an accrual is estimated for all unread meters within the Ausgrid Group's network area. The accrual is calculated for each component of the network price including peak, shoulder and off peak electricity consumption, network access, demand and capacity charges.

The Ausgrid Group assesses the unread meters accrual at the end of each reporting period based on the expected value method (as described above) and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(iv) Transmission revenue

Transmission revenue represents revenue from TransGrid from their use of the Ausgrid Group's transmission assets. Upon the use of Ausgrid Group's transmission assets, TransGrid receives and consumes the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the 'right to invoice' practical expedient and recognises revenue based on the billing amount.

(v) Capital contributions

Capital contributions represent non-cash capital contributed by customers and developers to the Ausgrid Group's distribution network.

Standard Control Services (**SCS**) capital contributions are contributed mainly by developers, who are not ongoing customers of the Ausgrid Group. Revenue is recognised at fair value at a point in time when the connection to the network is completed and the asset is energised.

Alternative Control Services (**ACS**) capital contributions represent street lighting capital contributions where the Ausgrid Group assumes an ongoing maintenance obligation to the customer who contributed the asset. The fair value of capital contributions from these specific customers are treated as contract liabilities and recognised as revenue over the ongoing maintenance period, i.e. the useful life of the asset contributed.

(vi) Street lighting revenue

Street lighting revenue relates to the ongoing maintenance and replacement of street lighting assets. As the street lighting maintenance and replacement services are provided continuously to the customer, it is treated as one performance obligation. Revenue is recognised over time when the street lighting services are provided.

(vii) Ancillary network services revenue

Ancillary Network Services (**ANS**) revenue relates to non-routine connection and other ad hoc metering services provided to individual customers on an as needed basis. Depending on the service, it can be at the request of an electricity retailer, accredited service provider or end customer. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

(viii) Metering revenue

Metering revenue relates to ACS regulated metering. ACS regulated metering service charges represent the ongoing provision of metering services and metering data services for meters within the Ausgrid Group's network area (type 5 and 6 meters). This is a daily charge consisting of both capital and non-capital components. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

(ix) Unregulated revenue

Unregulated revenue is made up of recoverable revenue, contestable revenue and other external revenue. Recoverable revenue is generated from works undertaken on the electricity network, at the request of a customer or other external party, which are not for the purpose of establishing a new or upgraded connection. Contestable revenue consists of unregulated metering revenue and other contestable works. Unregulated metering revenue represents the ongoing provision of metering services and metering data services for contestable meters (type 1 to 4 meters). Other contestable work relates to customer connection activity that can be performed by any accredited service provider. Other external revenue mainly consists of rental income and infrastructure services revenue. Infrastructure services revenue represents revenue for design and construction of electrical and fibre infrastructure, chemical and oil testing, instrument calibration and high power testing of electrical equipment. Revenue is recognised over time when the services are delivered and/or the relevant performance obligations are satisfied.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(x) Government grants

Government grants are recognised in the statement of financial position initially as deferred revenue when they are received, and released to income when the Ausgrid Group complies with the conditions attaching to them. Grants that compensate the Ausgrid Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Ausgrid Group for expenses incurred are recognised in profit or loss in the same period in which the expenses are incurred.

(xi) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Ausgrid Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Income tax

Under tax law in Australia, the partnerships within the Ausgrid Group are not subject to tax, as each Partner reports its share of income from the partnerships in its own tax return.

The corporate entities within the Ausgrid Group have no taxable income. Therefore there is no income tax expense or income tax payable for the year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(g) Leases

The Ausgrid Group leases various premises including network, depot and office facilities. Lease payments under these leases vary and some of which are subject to annual, biennial or triennial reviews to reflect market rentals.

(i) Measurement and recognition of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Ausgrid Group under residual value guarantees;
- the exercise price of a purchase option if the Ausgrid Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Ausgrid Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Ausgrid Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the Right of Use (**ROU**) asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Measurement and recognition of ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;

1 Summary of significant accounting policies (continued)

(g) Leases (continued)

(ii) Measurement and recognition of ROU assets (continued)

- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Ausgrid Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets are assets with a value less than $15,000 over the entire lease term.

Lease income from operating leases where the Ausgrid Group is a lessor is recognised in revenue in profit or loss on a straight-line basis over the lease term. The Ausgrid Group leases out its properties, including premises, land and network assets, under operating lease agreements at market rentals, predominantly on a fixed term basis.

(h) Impairment of assets

Goodwill is tested for impairment annually or whenever there is an indicator of impairment. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, where the recoverable amount is the higher of an asset's FVLCOD or Value in Use (**VIU**). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (Cash-generating Unit (**CGU**)).

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(j) Trade receivables

Trade receivables are recognised initially at fair value when the right to consideration becomes unconditional and subsequently measured at amortised cost using the effective interest method, less expected credit losses. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected within 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts for which the Ausgrid Group has no reasonable expectations of recovering are written off by reducing the carrying amount directly.

The Ausgrid Group applies the AASB 9 Financial Instruments (**AASB 9**) simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. Contract assets relate to unbilled receivables and have substantially the same risk characteristics as trade receivables. The Ausgrid Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

1 Summary of significant accounting policies (continued)

(k) Contract assets

Contract assets represent the right to consideration for performance obligations completed to date when the right is conditional on something other than the passage of time. The contract assets balance primarily represents the unread meters accrual.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average purchase price of each item. In the case of inventory for internal use, costs include direct labour, materials and a portion of variable overhead which comprises the cost of bringing the inventories to their appropriate location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(m) Property, plant and equipment

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Ausgrid Group. Cost is the amount of cash or cash equivalents paid at the time of acquisition or construction, adjusted for any gains or losses on qualifying cash flow hedges in respect of the purchases of relevant assets.

After initial recognition as an asset, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

(ii) Historical cost method

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Ausgrid Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(iii) Impairment assessment

Each year, property, plant and equipment is assessed for impairment if an indication of impairment exists. The Ausgrid Group makes an estimate of the recoverable amount to confirm that the carrying amount of the asset does not exceed its recoverable amount.

The recoverable amount is based on the higher of the FVLCOD or the VIU for the CGU. In assessing FVLCOD or VIU, the estimated future cash flows for the business are discounted to their present value using a discount rate that reflects the risks specific to the business and relevant market assessments.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(iv) Retirements or disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

(v) Capitalisation of costs

Items of property, plant and equipment are initially recognised at cost. Cost includes expenditure that is directly attributable to the acquisition and/or construction of the asset, including costs of materials, services, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an allocated proportion of supporting overhead costs. Capitalised costs also include borrowing costs in accordance with Note 1(s) (where relevant).

Management judgement is required in the assessment of the types of costs that are directly attributable to the construction of property, plant and equipment. Satisfying the directly attributable criteria requires an assessment of those unavoidable costs that, if not incurred, would result in the property, plant and equipment not being constructed or being capable of operating in the manner intended by management. Directly attributable overheads are allocated to the cost of construction of an asset using direct labour dollars or direct costs.

(vi) Depreciation

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of their useful lives or the lease term. The estimated useful lives or, in the case of leased assets, the shorter lease term, are as follows:

Categories	Depreciation period (years)
Buildings	40-60
Network assets:	
Information Technology (IT)	4-10
Franchise meters (type 5 and 6 meters)	25
Transmission and distribution equipment	35-50
Mains	45-60
Tunnels	70
Street lighting	20
Leased land	48-99
Plant and equipment:	
Contestable meters (type 1 to 4 meters)	10
Plant	7
Fleet	10-15
Furniture	10
Office equipment	7
IT hardware	4-10
Leased assets	lease term

Asset lives are reviewed annually and, where required, adjustments are made to the remaining useful lives of separately identifiable parts of assets having regard to factors such as asset usage and the rate of technical and commercial obsolescence. Adjustments are treated as changes in accounting estimates to be applied prospectively.

(n) Intangible assets

(i) Network assets

Network assets include easements and the Ausgrid Group's network distribution licence. Easements represent an interest in land which allows access to network assets. The Ausgrid Group's network distribution licence and easements are amortised on a straight-line basis over the 99 year lease period.

1 Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

(ii) Customer contracts

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer contracts are amortised over a period of five years using the straight-line amortisation method.

(iii) Computer software

Computer software is amortised over a period of one to four years using the straight-line amortisation method. The useful life of software is reviewed annually, and adjustments where applicable, are treated as changes in accounting estimates to be applied prospectively.

Costs incurred in configuring or customising Software-as-a-Service (**SaaS**) arrangements are recognised as intangible assets only if the implementation activities create an intangible asset that the Ausgrid Group controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Ausgrid Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

(iv) Goodwill

Goodwill arises from business combinations. The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

(o) Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and FVLCOD, if their carrying amount will be recovered principally through a sale transaction as opposed to continued use. Once classified as held for sale, depreciation and amortisation ceases. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

(p) Derivatives and hedging activities

The Ausgrid Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

The fair value of Interest Rate Swaps (**IRS**), Cross Currency Interest Rate Swaps (**CCIRS**) and forward contracts is the estimated amount that the Ausgrid Group would receive or pay to terminate the derivative at the reporting date, taking into account current interest and foreign exchange rates and the current creditworthiness of the Ausgrid Group and its derivative counterparties.

Derivative financial instruments are classified into current and non-current portions when the Ausgrid Group expects to hold a derivative as an economic hedge for a period beyond 12 months after the reporting date. For derivative financial instruments designated into hedging relationships, the classification will be consistent with the hedge relationship.

1 Summary of significant accounting policies (continued)

(p) Derivatives and hedging activities (continued)

At the inception of a hedge relationship, the Ausgrid Group formally designates and documents the hedge relationship to which the Ausgrid Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Ausgrid Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Ausgrid Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Ausgrid Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Ausgrid Group continues to recognise the financial asset and the associated liability.

The Ausgrid Group derecognises a financial liability when, and only when, the Ausgrid Group's obligation specified in the contract is discharged, cancelled or expired.

Hedges that meet the criteria for hedge accounting are accounted for as described below:

(a) *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in finance costs in profit or loss.

(b) *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in finance costs in profit or loss.

(q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. They are presented as current liabilities unless payment is not due within 12 months from the reporting date. The amounts are unsecured.

(r) Contract liabilities

Contract liabilities relate to consideration received in advance of performance under the contract. These liabilities are recognised as revenue as (or when) the Ausgrid Group delivers the performance obligation under the contract.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Transaction costs are amortised using the effective interest method over the life of the loan. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

Borrowings are classified as current liabilities unless the Ausgrid Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

1 Summary of significant accounting policies (continued)

(t) Provisions

Provisions are recognised when the Ausgrid Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

All liabilities for employee benefits that are expected to be paid for services provided by employees up to the reporting date represent present obligations and are fully provided for in the financial statements.

Liabilities for employee benefits for wages, salaries, annual leave, preserved sick leave and long service leave that are expected to be wholly settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Ausgrid Group expects to pay as at the reporting date and include related on-costs, such as workers compensation insurance and payroll tax.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date based on an actuarial assessment. The discount rate is the market yield on national corporate bonds as at 30 June 2021 that have maturity dates aligned with the terms of the Ausgrid Group's obligations. The accrued portion of future benefits has been determined using the projected unit credit method. Consideration is given to expected future wage and salary levels, and a range of demographic assumptions including retirement, withdrawal, death and disability rates.

The amounts provided have been apportioned between current and non-current provisions. The current provisions represent the portion which is expected to be paid within the ensuing 12 months or where there is no unconditional right to defer settlement of the obligation.

(v) Superannuation

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

The Ausgrid Group participates in the Energy Industries Superannuation Scheme (**the Scheme**) established by a Trust Deed made under an Act of the NSW Parliament, of which some divisions provide defined benefits. The Ausgrid Group accounts for its proportionate share of the defined benefit obligation, plan assets, and cost associated with the plan in the same way as for any other defined benefit plan.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net obligation in respect of the defined benefit plan is calculated separately for each policy by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

1 Summary of significant accounting policies (continued)

(v) Superannuation (continued)

(ii) Defined benefit plan (continued)

The discount rate is the market yield on national corporate bonds as at 30 June 2021 that have maturity dates aligned with the terms of the Ausgrid Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All remeasurements arising from the defined benefit plan are recognised in other comprehensive income in the year in which they occur.

Where the calculation results in a benefit to the Ausgrid Group, the recognised asset is limited to the future economic benefits that will be available to the Ausgrid Group through a reduction in future contributions or a cash refund.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced). Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Past service costs and net interest expense or income are recognised in profit or loss.

(w) Other liabilities

(i) Deferred revenue

Deferred revenue represents the advanced rental income received from external tenants.

(ii) Deposits

Deposits represent liabilities for contractors' deposits which can be refunded at any time after the end of the financial year and unclaimed monies which are held for up to six years before being transferred to Revenue NSW. The amount which can be refunded in the succeeding financial year and at any time is shown as current and the remainder of the liability as non-current.

(x) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (**GST**).

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (**ATO**) is included as a current asset or current liability in the statement of financial position.

The GST component of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

(y) Distributions

The Ausgrid Group recognises a liability for distributions to Partners of the Ausgrid Group when the distribution is authorised by the Partnerships (AOP, AAP and PLUS ES) in accordance with their respective Partnership Deeds.

(z) Segment reporting

The Chief Operating Decision Makers (**CODM**) of the Ausgrid Group, as defined by AASB 8 Operating Segments (**AASB 8**), is the Executive Leadership Team, which is made up of the Chief Executive Officer and their direct reports. The CODM review the performance of the Ausgrid Group as a whole and make decisions regarding the allocation of resources on this basis. For the purposes of AASB 8, the Ausgrid Group has one operating segment.

The Ausgrid Group is required to report its different regulatory lines of business as part of its reporting to the AER. Information in relation to the regulatory lines of business has been disclosed in the consolidated financial statements. The form of regulatory control that applies to the Ausgrid Group's services depends on whether the services are categorised as SCS, ACS, or unregulated services:

1 Summary of significant accounting policies (continued)

(z) Segment reporting (continued)

- SCS comprise core distribution and transmission network services that the AER determines are for the benefit of all end customers, the costs of which are recovered from all end customers. SCS is subject to a revenue cap mechanism which limits the amount of revenue that can be recovered from providing the applicable services in a given regulatory control period;
- ACS are services that the AER determines are either dedicated to, or requested by, a small number of end customers, the costs of which are directly recovered from those end customers. ACS is subject to a price cap mechanism which limits the price that can be charged for the applicable service. ACS include certain types of metering services, street lighting services and ancillary network services, such as facilitating network connections; and
- Unregulated services comprise services that the AER believes are provided on a sufficiently competitive or contestable basis such that economic regulation is not necessary. These services include contestable metering services, private customer lighting services, infrastructure services, emerging energy solutions, and lease of property.

Refer to Note 1(e) for detailed revenue recognition accounting policies in relation to these services.

(aa) Rounding of amounts

The Ausgrid Group has applied Australian Securities and Investments Commission (**ASIC**) Legislative Instrument 2016/191 (Rounding in Financial/Directors' Reports). The amounts shown in this report have been rounded to the nearest $1,000,000, unless otherwise indicated.

(ab) New accounting standards and interpretations

(i) New accounting standards and interpretations adopted

The Ausgrid Group adopted AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform on 1 July 2020.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by Interbank Offered Rate (**IBOR**) reform. The relief has the effect that IBOR reform will not cause hedge accounting to terminate. Any hedge ineffectiveness will continue to be recorded in the statement of profit or loss and other comprehensive income.

The Ausgrid Group holds a portfolio of foreign currency denominated fixed rate borrowings that are exposed to changes in fair value due to movements in market interest rates. The Ausgrid Group uses fair value hedge accounting to manage this interest rate risk exposure, which is determined as the change in fair value of the borrowings arising from changes in three month US$ London Interbank Offered Rate (**LIBOR**) for US$ denominated borrowings, and three month EUR LIBOR for EUR denominated borrowings (the benchmark rates of interest).

Under the temporary relief provided by the amendments, the Ausgrid Group has assessed whether the hedged US$ LIBOR and EUR LIBOR risk component is a separately identifiable risk only when it first designates the hedge relationship and not on an ongoing basis.

The Ausgrid Group also has designated cash flow hedge relationships where the hedged items and/or hedging instruments reference three month US$ LIBOR and three month EUR LIBOR.

As at 30 June 2021, the Ausgrid Group had $3,774 million of US$ denominated interest bearing notes affected by three month US$ LIBOR and $1,074 million of EUR denominated interest bearing notes affected by three month EUR LIBOR.

(ii) New accounting standards and interpretations not yet adopted

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Ausgrid Group for the year ended 30 June 2021. The impact of these new standards or amendments to the standards and interpretations (to the extent applicable to the Ausgrid Group) is as follows:

1 Summary of significant accounting policies (continued)

(ab) New accounting standards and interpretations (continued)

AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2 (applicable to the Ausgrid Group from 1 July 2021)

The amendments provide practical expedients to account for changes in the basis for determining contractual cash flows as a result of IBOR reform and provide additional temporary relief from applying specific hedge accounting requirements to hedging relationships that are directly affected by IBOR reform. The amendments also require additional disclosures, including information about new risks arising from the IBOR reform, how the entity manages transition to the alternative benchmark rates and quantitative information about derivatives and non-derivatives that have yet to transition.

The application of the amendments will have no material impact on the financial results of the Ausgrid Group but is expected to result in additional disclosures as outlined above.

2 Use of estimates and judgements

The preparation of the consolidated financial statements require judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Judgements made by management in the application of Accounting Standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed below and in the various respective notes:

Note 1(e)(iii) and 7 - Unread meters
Note 1(m) and 9 - Property, plant and equipment
Note 1(n) and 10 - Intangible assets
Note 1(t) and 13 - Provisions
Note 18 - Superannuation - defined benefit plan
Note 26(f) - Recognised fair value measurements

During the year ended 30 June 2021, the following significant events have occurred that provide further information on the estimates and judgements disclosed in the consolidated financial statements.

COVID-19

The continuation of COVID-19 has impacted revenue, operations, expected credit losses, valuation of derivatives and the application of hedge accounting, and recoverable amount assessments of non-financial assets. The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below and/or in the relevant note to the consolidated financial statements.

(i) Revenue impact

The Ausgrid Group continues to provide essential network services during the COVID-19 pandemic. The impact of COVID-19 resulted in lower energy consumption by non-residential customers over the year ended 30 June 2021 due to a reduction in industrial and commercial economic activity. However, the impact on regulated revenue has been largely offset by higher than forecast capacity and demand charges. Under the regulatory framework, the Ausgrid Group does not assume volume risk, meaning any under-recovered revenue due to lower energy consumption, network access days, demand or capacity charges is recovered in future years within the current five year regulatory period (1 July 2019 to 30 June 2024).

Revenue for the year ended 30 June 2021 includes the residual impact of the following relief measures that were made available to customers in the financial year ended 30 June 2020. No additional measures were announced in the year ended 30 June 2021:

2 Use of estimates and judgements (continued)

COVID-19 (continued)

(i) Revenue impact (continued)

- One-off capacity resets offered by the Ausgrid Group to medium and large non-residential customers that were significantly impacted by COVID-19. This resulted in a revenue reduction of $4 million in the previous financial year ended 30 June 2020, which will be recovered over the remaining three years of the current regulatory period;
- An industry relief package offered by the Ausgrid Group, along with some other network businesses in the NEM, that waived or deferred network charges for certain customers impacted by COVID-19. The waived network charges were limited to the period 1 April 2020 to 30 June 2020 and were recognised in the previous financial year ended 30 June 2020. The deferral of network charges resulted in extended payment terms to September 2020 that were collected in full in the year ended 30 June 2021; and
- On 6 August 2020, the Australian Energy Market Commission (**AEMC**) introduced a rule change that deferred network access charges by up to six months for customers of small, non-government owned retailers facing hardship due to COVID-19. No deferral requests were received in the applicable six month period which ended on 6 February 2021.

The Ausgrid Group has considered and incorporated these impacts when performing the goodwill impairment testing and the going concern assessment. The Ausgrid Group concluded that no impairment is required and there is sufficient liquidity to be able to pay debts as and when incurred for the next 12 months.

(ii) Operations

The COVID-19 impact on the Ausgrid Group's operations and the measures taken by the Ausgrid Group to mitigate the impact are outlined below:

- The Ausgrid Group continues to utilise its existing Business Continuity Management Framework to monitor the impact of COVID-19 developments and ensure timely and co-ordinated communication across the business on all matters relating to network resilience, customer service and the safety and well-being of employees. Since the onset of government COVID-19 restrictions in March 2020, the Ausgrid Group has implemented enterprise wide protocols governing the security of critical infrastructure, physical distancing, hygiene, travel and face-to-face meetings;
- Certain non-essential work that was deferred to allow an increased focus on the maintenance of critical network assets and reduce the likelihood of unplanned outages in the early stages of the COVID-19 pandemic, was gradually reinstated as government COVID-19 restrictions eased across the network area during the year. However, the delivery of non-essential work continues to be under review in order to comply with government restrictions and to respond to the June 2021 COVID-19 outbreak in Greater Sydney;
- Protective measures have been implemented to safeguard the functioning of critical network facilities including the system control rooms and contact centres. Additional controls to limit the spread of COVID-19 include establishing back-up locations and split teams;
- Except for field staff, a significant component of the workforce was transitioned to working from home arrangements at the onset of government COVID-19 restrictions in March 2020 and again in June 2021 in response to the COVID-19 outbreak in Greater Sydney. Between October 2020 and June 2021, the majority of employees that had been working from home returned to work in Ausgrid locations two days a week, with appropriate hygiene and physical distancing protocols in place; and
- Employee development activities have been transitioned to online delivery platforms or reduced physical contact settings to ensure the continuation of mandatory training and compliance activity.

The Recovery Management Team continues to review COVID-19 related processes and documentation to ensure they are fit for purpose and aligned with government COVID-19 restrictions.

(iii) Liquidity

The Ausgrid Group holds a cash balance of $249 million and undrawn facilities of $473 million at 30 June 2021. Based on operating cash flow projections at 30 June 2021, management does not anticipate any material impact from COVID-19 on its forecast liquidity position.

2 Use of estimates and judgements (continued)

COVID-19 (continued)

(iv) Expected credit losses

The Ausgrid Group measures the allowance for expected credit losses using an expected credit loss impairment model as required by AASB 9. For the regulated business, the retailer carries the bad debt risk of customers' inability to pay. The Ausgrid Group's regulated revenue is protected from retailer insolvency by a pass-through mechanism which allows recovery of revenue lost due to retailer failure. Management is not aware of any change to the credit ratings of customers of the unregulated business.

(v) Valuation of derivatives and application of hedge accounting

The Ausgrid Group continues to review the appropriateness of the inputs to the valuation of derivatives. This includes the use of the appropriate credit default swap curves to calculate the bilateral credit adjustments that are applied to the valuation of IRS and CCIRS. The market observable inputs are used for the valuation of derivatives and they continue to be deemed level two within the fair value hierarchy in accordance with AASB 13 Fair Value Measurement (**AASB 13**). Refer to Note 26(f) for further details.

In accordance with the Ausgrid Group Treasury Policy, the Ausgrid Group only has derivatives with counterparties that have a minimum long-term credit rating of A- from S&P or A3 from Moody's.

The hedged forecasted cash flows in cash flow hedge relationships remain highly probable. Accordingly, the application of hedge accounting is permissible in accordance with AASB 9.

(vi) Recoverable amount assessments of non-financial assets

Consistent with the Ausgrid Group's accounting policies, the Ausgrid Group has assessed goodwill and property, plant and equipment for impairment. Such assessment incorporated a consideration of COVID-19. No impairment is required as a result of the assessment. Refer to Note 10(a) for further details.

3 Revenue

	2021 $M	2020 $M
Revenue components		
DUOS	**1,447**	1,435
TUOS		
Pass-through	**282**	247
Non pass-through	**46**	59
CCF pass-through	**131**	129
NUOS	**1,906**	1,870
Transmission	**14**	19
SCS capital contributions	**116**	123
Other	**1**	3
Total SCS revenue	**2,037**	2,015
Street lighting	**32**	31
ANS	**70**	65
Metering	**56**	56
ACS capital contributions	**2**	1
Total ACS revenue	**160**	153
Unregulated revenue	**132**	121
Total unregulated revenue	**132**	121
Interest income	**1**	2
Total other revenue	**1**	2
Total revenue[1]	**2,330**	2,291

(1) Revenue billings of $1,381 million (2020: $1,426 million) is derived from retailers that individually make up more than 10% of the Ausgrid Group's total revenue and relate to SCS revenue. For the regulated business, the retailer carries the bad debt risk of customers' inability to pay. The Ausgrid Group's regulated revenue is protected from retailer insolvency by a pass-through mechanism which allows recovery of revenue lost due to retailer failure.

4 Expenses

(a) Distribution of energy costs

	2021 $M	2020 $M
SCS regulated pass-through costs		
TNSP	**292**	263
CCF	**133**	134
Total regulated pass-through costs	**425**	397
Total distribution of energy costs	**425**	397

(b) Operating expenses

	2021 $M	2020 $M
(i) Operating expenses by nature		
Employee benefits expense	**211**	245
Superannuation expense (defined benefit plan)	**4**	1
Superannuation expense (defined contribution plan)	**48**	51
Reform costs - SCS	**29**	10
Reform costs - ACS	**5**	2
Employee benefits expenses	**297**	309
Contracted services	**122**	139
IT expenses	**63**	57
Land and other taxes	**27**	26
Materials	**15**	21
Short-term and low-value lease rentals	**2**	4
Other	**15**	19
Other expenses	**244**	266
Total operating expenses	**541**	575
(ii) Operating expenses by line of business		
SCS	**387**	403
ACS	**106**	105
Unregulated	**48**	67
Total operating expenses	**541**	575

4 Expenses (continued)

(c) Depreciation and amortisation expense

	2021 $M	2020 $M
Depreciation of property, plant and equipment	**581**	555
Amortisation of intangible assets	**97**	84
Total depreciation and amortisation expense	**678**	639

(d) Finance costs

	2021 $M	2020 $M
Interest expense	**435**	446
Amortisation of loan transaction costs	**23**	20
Lease interest	**3**	3
Capitalised interest	**(5)**	(6)
Hedge ineffectiveness	**(16)**	9
Adjustments to the SFA	**2**	2
Other	**4**	4
Total finance costs	**446**	478

5 Taxation

	2021 $M	2020 $M
Income tax recognised in other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of cash flow hedges	**(124)**	95
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit superannuation actuarial (gain)/loss	**(8)**	4
Total income tax recognised in other comprehensive income	**(132)**	99

6 Deferred taxation

	Cash flow hedge reserve $M	Defined benefit superannuation plan $M	Total $M
Balance at 1 July 2019	212	(6)	206
Recognised in other comprehensive income	95	4	99
Balance at 30 June 2020	307	(2)	305
Recognised in other comprehensive income	**(124)**	**(8)**	**(132)**
Balance at 30 June 2021	**183**	**(10)**	**173**

7 Trade and other receivables and contract assets

	2021 $M	2020 $M
Current		
Trade receivables	**59**	74
Less: provision for impairment of trade receivables	**(2)**	(3)
Other receivables	**2**	-
Total current trade and other receivables	**59**	71
Contract assets		
Unread meters	**249**	237
Other	**28**	25
Total current contract assets	**277**	262
Non-current		
Other receivables	**3**	-
Total non-current other receivables	**3**	-

8 Assets classified as held for sale

	2021 $M	2020 $M
Land and buildings	**5**	4
Total assets classified as held for sale	**5**	4

9 Property, plant and equipment

	Land and buildings $M	Network assets $M	Plant and equipment $M	Total[1] $M
At 30 June 2021				
At cost	**815**	**17,811**	**714**	**19,340**
Accumulated depreciation	**(70)**	**(2,082)**	**(257)**	**(2,409)**
Net carrying amount	**745**	**15,729**	**457**	**16,931**
Year ended 30 June 2021				
Net carrying amount at 1 July 2020	**757**	**15,723**	**445**	**16,925**
Additions	**8**	**554**	**92**	**654**
Disposals	**-**	**(61)**	**(5)**	**(66)**
Depreciation expense	**(19)**	**(487)**	**(75)**	**(581)**
Assets classified as held for sale	**(1)**	**-**	**-**	**(1)**
Net carrying amount	**745**	**15,729**	**457**	**16,931**
At 30 June 2020				
At cost	808	17,318	627	18,753
Accumulated depreciation	(51)	(1,595)	(182)	(1,828)
Net carrying amount	757	15,723	445	16,925
Year ended 30 June 2020				
Net carrying amount at 1 July 2019	763	15,578	394	16,735
Additions	16	620	123	759
Disposals	(4)	(4)	(6)	(14)
Depreciation expense	(18)	(471)	(66)	(555)
Net carrying amount	757	15,723	445	16,925

(1) ROU assets in property, plant and equipment

On 1 December 2016, the Ausgrid Group entered into a 99 year finance lease with the NSW State Government. The underlying leased assets arising from the 99 year finance lease are land and buildings, network assets and plant and equipment. These leased assets have a ROU carrying value of $16,471 million as at 30 June 2021 and constitute a major portion of the Ausgrid Group's property, plant and equipment. The non-leased assets are land and buildings of $2 million, network assets of $14 million, and plant and equipment of $444 million as at 30 June 2021. The depreciation expense on ROU assets during the year was $510 million.

Assets under construction

At 30 June 2021, property, plant and equipment include the following assets under construction:

Land and buildings	$12 million (2020: $40 million)
Network assets	$409 million (2020: $462 million)
Plant and equipment	$41 million (2020: $47 million)

9 Property, plant and equipment (continued)

Capital expenditure

	2021 $M	2020 $M
SCS capital expenditure		
Augmentation	**31**	29
Replacement	**321**	385
Connection	**20**	32
Reliability	**5**	5
Non-network and other	**51**	91
Total SCS capital expenditure	**428**	542
ACS capital expenditure		
Street lighting and other ACS activities	**44**	44
Total ACS capital expenditure	**44**	44
Unregulated capital expenditure		
PLUS ES	**77**	90
Network Service Provider (**NSP**)	**-**	6
Total Unregulated capital expenditure	**77**	96
Total capital expenditure[1]	**549**	682

(1) The total capital expenditure by line of business of $549 million is different to the total additions of property, plant and equipment of $654 million and intangible assets of $38 million (refer to Note 10). This variance of $143 million (2020: $131 million) comprises of capitalised capital contributions of $126 million (2020: $136 million), capitalised interest of $5 million (2020: $6 million), and an increase of property, plant and equipment resulting from asset related provision movements of $12 million (2020: $11 million reduction).

Augmentation capital expenditure relates to new capital investment that expands the network's capacity to deliver electricity that is not connection or reliability capital expenditure.

Replacement capital expenditure relates to the replacement of assets that have reached the end of their serviceable or technical life, or have condition issues that necessitate the replacement of the asset.

Connection capital expenditure relates to new capital expenditure required to connect new customers, with the majority of connection related works funded by customers under a contestable framework.

Reliability capital expenditure relates to capital expenditure that improves network reliability in specific areas.

Non-network and other capital expenditure relates to the spend required to support the businesses operation and includes information technology, property and fleet.

ACS capital expenditure relates to the installation of new street lighting assets, replacement of street lighting assets and a proportion of non-network and other capital expenditure that supports the ACS line of business.

Unregulated capital expenditure relates to investments within the Ausgrid Group's unregulated business including contestable meters and electrical and telecommunication infrastructure, and a proportion of non-network and other capital expenditure that supports the unregulated line of business.

10 Intangible assets

	Network assets $M	Customer contracts $M	Computer software $M	Goodwill $M	Total $M
At 30 June 2021					
At cost	**1,687**	**4**	**456**	**2,135**	**4,282**
Accumulated amortisation	**(76)**	**(3)**	**(273)**	**-**	**(352)**
Accumulated impairment	**-**	**-**	**-**	**(348)**	**(348)**
Net carrying amount	**1,611**	**1**	**183**	**1,787**	**3,582**
Year ended 30 June 2021					
Net carrying amount at 1 July 2020	**1,628**	**2**	**224**	**1,787**	**3,641**
Additions	**-**	**-**	**38**	**-**	**38**
Amortisation expense	**(17)**	**(1)**	**(79)**	**-**	**(97)**
Net carrying amount	**1,611**	**1**	**183**	**1,787**	**3,582**
At 30 June 2020					
At cost	1,687	4	418	2,135	4,244
Accumulated amortisation	(59)	(2)	(194)	-	(255)
Accumulated impairment	-	-	-	(348)	(348)
Net carrying amount	1,628	2	224	1,787	3,641
Year ended 30 June 2020					
Net carrying amount 1 July 2019	1,645	3	236	1,787	3,671
Additions	-	-	54	-	54
Amortisation expense	(17)	(1)	(66)	-	(84)
Net carrying amount	1,628	2	224	1,787	3,641

Assets under construction

At 30 June 2021, assets under construction included in intangible assets related to computer software of $16 million (2020: $21 million).

(a) Impairment test of goodwill

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Ausgrid Group has two CGUs, the NSP (comprising AAP and AOP) and PLUS ES. The recoverable amount of each CGU has been determined based on the FVLCOD approach.

In applying the FVLCOD approach, the recoverable amount of each CGU is assessed using a discounted cash flow methodology. The cash flow forecasts are based on the latest business plans up to 30 June 2026 and the long-term corporate model for future years. These cash flows are then discounted using a relevant long-term post-tax discount rate. The discount rate is determined based on post-tax weighted average cost of capital using market based inputs.

This is considered to be level 3 in the fair value hierarchy, as some of the inputs are based on non-market observable inputs.

10 Intangible assets (continued)

(a) Impairment test of goodwill (continued)

Goodwill is allocated to CGUs as follows:

	2021 $M	2020 $M
NSP	**1,722**	1,722
PLUS ES	**65**	65
Total	**1,787**	1,787

(i) NSP CGU

The NSP CGU carrying value was supported by its recoverable amount and no impairment exists at 30 June 2021 (2020: $nil impairment). The key assumptions used in the discounted cash flow analysis were:

- Post-tax discount rate of 6.00% (2020: 6.10%);
- Terminal value Regulated Asset Base (**RAB**) multiple of 1.3x for SCS (2020: 1.3x) and a multiple of 29.3x (2020: 28.5x) applied to ACS and unregulated business terminal year cash flows;
- Terminal growth rate of 2.5% (2020: 2.5%); and
- Cash flow horizon of 30 years (2020: 30 years). Cash flow forecasts include assumptions related to growth in revenue, operating expenditure and capital expenditure, with the growth assumption primarily driven by the assumptions in the regulatory building block model, with growth being a function of the RAB and the allowable return from the AER in the current regulatory period (1 July 2019 to 30 June 2024) and expected future returns in years after 30 June 2024.

(ii) PLUS ES CGU

The PLUS ES CGU carrying value was supported by its recoverable amount and no impairment exists at 30 June 2021 (2020: $nil impairment). The key assumptions used in the discounted cash flow analysis were:

- Post-tax discount rate of 8.10% (2020: 8.50%);
- Terminal growth rate of 3.0% (2020: 3.0%); and
- Cash flow horizon of 20 years (2020: 20 years). Cash flow forecasts include assumptions related to growth in revenue, operating expenditure and capital expenditure.

(b) Sensitivity to changes in assumptions

(i) NSP CGU

Had the NSP CGU applied a discount rate that was 5% higher or 5% lower than the 6.00% applied (i.e. 6.30% or 5.70%), the following fair values would have resulted:

Discount sensitivity	**+5%**	**Recoverable amount**	**-5%**
NSP ($M)	$21,219	$19,826	$23,881

Had the NSP CGU applied a RAB multiple rate that was 0.1x higher or 0.1x lower than the 1.3x applied (i.e. 1.4x or 1.2x), the following fair values would have resulted:

RAB multiple sensitivity	**-0.1x**	**Recoverable amount**	**+0.1x**
NSP ($M)	$21,831	$19,826	$23,149

(ii) PLUS ES CGU

There is no foreseeable change to the PLUS ES CGU key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount.

11 Trade and other payables

		2021 $M	2020 $M
Current			
Trade payables		**74**	83
Interest payable		**106**	110
Accruals		**39**	24
Other payables		**48**	49
Total current trade and other payables		**267**	266

12 Borrowings

		2021 $M	2020 $M
Current			
Lease liabilities		**-**	3
Total current lease liabilities		**-**	3
A$ denominated interest bearing loans		**1,367**	-
Less: Transaction costs		**(3)**	-
Total current loans	12(a)	**1,364**	-
Total current borrowings		**1,364**	3
Non-current			
Lease liabilities		**29**	25
Total non-current lease liabilities		**29**	25
A$ denominated interest bearing loans		**3,647**	6,707
A$ denominated interest bearing notes		**2,771**	1,593
US$ denominated interest bearing notes		**3,774**	4,389
EUR denominated interest bearing notes		**1,074**	1,125
Less: Transaction costs		**(58)**	(79)
Total non-current loans and notes	12(a)	**11,208**	13,735
Total non-current borrowings		**11,237**	13,760

AMTN

On 29 July 2020, the Ausgrid Group priced a $1 billion senior secured medium term note issue in the AMTN market. This comprised $750 million of fixed rate notes at a yield and coupon of 1.814% with a tenor of 6.5 years and $250 million of floating rate notes at BBSW+1.100% with a tenor of 3.5 years. The net proceeds were used to repay the Capex Facility C ($200 million) and Facility B2 ($797 million) of the SFA.

On 17 February 2021, the Ausgrid Group priced a $220 million senior secured medium term note issue in the AMTN market. This comprised $220 million of floating rate notes at BBSW+1.000% with a tenor of five years. The net proceeds were used to repay Facility B2 ($220 million) of the SFA.

12 Borrowings (continued)

(a) Loans and notes

	Drawdown[1] $M	Foreign exchange movements[2] $M	Fair value adjustments[3] $M	Transaction costs $M	Carrying value $M
30 June 2021					
Fixed rate notes					
10 year US$770M USPP	**966**	**58**	**67**	**(4)**	**1,087**
12 year US$430M USPP	**540**	**32**	**43**	**(3)**	**612**
15 year US$430M USPP	**540**	**32**	**52**	**(4)**	**620**
10 year A$29M USPP	**29**	**-**	**-**	**-**	**29**
12 year A$103M USPP	**103**	**-**	**-**	**(1)**	**102**
15 year A$88M USPP	**88**	**-**	**-**	**(1)**	**87**
7 year A$750M AMTN	**750**	**-**	**51**	**(3)**	**798**
6.5 year A$750M AMTN	**750**	**-**	**(20)**	**(2)**	**728**
7.25 year EUR650M	**1,037**	**(8)**	**45**	**(3)**	**1,071**
5 year US$500M 144A	**659**	**7**	**32**	**(2)**	**696**
10.25 year US$500M 144A	**659**	**7**	**80**	**(7)**	**739**
	6,121	**128**	**350**	**(30)**	**6,569**
Floating rate notes and facilities					
15 year A$100M USPP	**100**	**-**	**-**	**(1)**	**99**
7 year A$450M AMTN	**450**	**-**	**-**	**(1)**	**449**
5 year A$220M AMTN	**220**	**-**	**-**	**-**	**220**
3.5 year A$250M AMTN	**250**	**-**	**-**	**(1)**	**249**
Syndicated Facility Agreement[4]	**3,367**	**-**	**(3)**	**(16)**	**3,348**
Asian Syndicated Facility (**ASF**)	**1,650**	**-**	**-**	**(12)**	**1,638**
	6,037	**-**	**(3)**	**(31)**	**6,003**
Total loans and notes	**12,158**	**128**	**347**	**(61)**	**12,572**

(1) The drawdown represents A$ denominated loans and notes or, in regards to foreign currency denominated notes, the A$ equivalent translated at the hedged rate at inception.

(2) This relates to foreign exchange movements from the date of original drawdown of non AUD notes to 30 June 2021.

(3) The fair value adjustment of $347 million (2020: $685 million) is made up of a hedge accounting adjustment of $350 million (2020: $689 million) due to interest rate movements, offset by a net gain on the amend and extend of the SFA, which occurred on 9 October 2018, of $3 million (2020: $4 million).

(4) Syndicated Facility Agreement includes Facilities B1, B4, B5, C and D. The original drawdown of the SFA was $11,931 million. This was reduced to $3,367 million due to repayments of $9,518 million, partially offset by additional drawdowns of $954 million since the inception of the SFA.

12 Borrowings (continued)

(a) Loans and notes (continued)

	Drawdown $M	Foreign exchange movements $M	Fair value adjustments $M	Transaction costs $M	Carrying value $M
30 June 2020					
Fixed rate notes					
10 year US$770M USPP	966	156	139	(5)	1,256
12 year US$430M USPP	540	87	96	(3)	720
15 year US$430M USPP	540	87	123	(4)	746
10 year A$29M USPP	29	-	-	-	29
12 year A$103M USPP	103	-	-	(1)	102
15 year A$88M USPP	88	-	-	(1)	87
7 year A$750M AMTN	750	-	73	(4)	819
7.25 year EUR650M	1,037	27	61	(4)	1,121
5 year US$500M 144A	659	70	55	(3)	781
10.25 year US$500M 144A	659	70	142	(8)	863
	5,371	497	689	(33)	6,524
Floating rate notes and facilities					
15 year A$100M USPP	100	-	-	(1)	99
7 year A$450M AMTN	450	-	-	(1)	449
Syndicated Facility Agreement	5,061	-	(4)	(30)	5,027
Asian Syndicated Facility	1,650	-	-	(14)	1,636
	7,261	-	(4)	(46)	7,211
Total loans and notes	12,632	497	685	(79)	13,735

12 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit $M	Drawn $M	Undrawn $M	Rate in currency of issue[1]
30 June 2021					
10 year US$770M USPP fixed rate	**1 Oct 27**	**1,024**	**1,024**	**-**	**3.500%**
12 year US$430M USPP fixed rate	**1 Oct 29**	**572**	**572**	**-**	**3.600%**
15 year US$430M USPP fixed rate	**1 Oct 32**	**572**	**572**	**-**	**3.750%**
10 year A$29M USPP fixed rate	**1 Oct 27**	**29**	**29**	**-**	**4.445%**
12 year A$103M USPP fixed rate	**1 Oct 29**	**103**	**103**	**-**	**4.615%**
15 year A$88M USPP fixed rate	**1 Oct 32**	**88**	**88**	**-**	**4.857%**
15 year A$100M USPP floating rate	**1 Oct 32**	**100**	**100**	**-**	**BBSW+1.800%**
Total USPP notes		**2,488**	**2,488**	**-**	
7 year A$750M AMTN fixed rate	**30 Oct 24**	**750**	**750**	**-**	**3.750%**
7 year A$450M AMTN floating rate	**30 Oct 24**	**450**	**450**	**-**	**BBSW+1.220%**
6.5 year A$750M AMTN fixed rate	**5 Feb 27**	**750**	**750**	**-**	**1.814%**
5 year A$220M AMTN floating rate	**24 Feb 26**	**220**	**220**	**-**	**BBSW+1.000%**
3.5 year A$250M AMTN floating rate	**5 Feb 24**	**250**	**250**	**-**	**BBSW+1.100%**
Total AMTN		**2,420**	**2,420**	**-**	
5 year US$500M 144A fixed rate	**1 May 23**	**666**	**666**	**-**	**3.850%**
10.25 year US$500M 144A fixed rate	**1 Aug 28**	**666**	**666**	**-**	**4.350%**
Total US144A notes		**1,332**	**1,332**	**-**	
7.25 year EUR650M fixed rate	**30 Jul 25**	**1,029**	**1,029**	**-**	**1.250%**
Total EMTN		**1,029**	**1,029**	**-**	
SFA Term Facility B1	**1 Jun 22**	**917**	**917**	**-**	**BBSY+0.800%**
SFA Term Facility B4	**1 Dec 23**	**1,400**	**1,400**	**-**	**BBSY+1.050%**
SFA Term Facility B5	**1 Dec 25**	**600**	**600**	**-**	**BBSY+1.300%**
ASF 7 year Term Facility	**2 Jul 26**	**1,400**	**1,400**	**-**	**BBSY+1.300%**
ASF 10 year Term Facility	**2 Jul 29**	**250**	**250**	**-**	**BBSY+1.550%**
Total term loans		**4,567**	**4,567**	**-**	
Capex Facility C	**1 Jun 22**	**721**	**343**	**378**	**BBSY+0.800%**
Working Capital Facility D[2]	**1 Jun 22**	**250**	**107**	**143**	**BBSY+0.800%**
Total liquidity		**971**	**450**	**521**	
Total[3]		**12,807**	**12,286**	**521**	

(1) The rates listed are those that apply to each instrument in its respective currency of issuance. The Bank Bill Swap Rate (**BBSW/BBSY**) is a floating short-term benchmark interest rate. Market convention is that BBSY is typically 0.05% higher than BBSW.

(2) In addition to the $107 million drawn under the Working Capital Facility D, $48 million of bank guarantees have been issued under the facility (refer to Note 23) and the unutilised funds available under the Working Capital Facility D is $95 million.

(3) The weighted average interest for the year ended 30 June 2021 was 3.50% (2020: 3.56%).

12 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit $M	Drawn $M	Undrawn $M	Rate in currency of issue
30 June 2020					
10 year US$770M USPP fixed rate	1 Oct 27	1,122	1,122	-	3.500%
12 year US$430M USPP fixed rate	1 Oct 29	627	627	-	3.600%
15 year US$430M USPP fixed rate	1 Oct 32	627	627	-	3.750%
10 year A$29M USPP fixed rate	1 Oct 27	29	29	-	4.445%
12 year A$103M USPP fixed rate	1 Oct 29	103	103	-	4.615%
15 year A$88M USPP fixed rate	1 Oct 32	88	88	-	4.857%
15 year A$100M USPP floating rate	1 Oct 32	100	100	-	BBSW+1.800%
Total USPP notes		2,696	2,696	-	
7 year A$750M AMTN fixed rate	30 Oct 24	750	750	-	3.750%
7 year A$450M AMTN floating rate	30 Oct 24	450	450	-	BBSW+1.220%
Total AMTN		1,200	1,200	-	
5 year US$500M 144A fixed rate	1 May 23	729	729	-	3.850%
10.25 year US$500M 144A fixed rate	1 Aug 28	729	729	-	4.350%
Total US144A notes		1,458	1,458	-	
7.25 year EUR650M fixed rate	30 Jul 25	1,064	1,064	-	1.250%
Total EMTN		1,064	1,064	-	
SFA Term Facility B1	1 Jun 22	917	917	-	BBSY+0.800%
SFA Term Facility B2	1 Dec 21	1,424	1,424	-	BBSY+1.350%
SFA Term Facility B4	1 Dec 23	1,400	1,400	-	BBSY+1.050%
SFA Term Facility B5	1 Dec 25	600	600	-	BBSY+1.300%
ASF 7 year Term Facility	2 Jul 26	1,400	1,400	-	BBSY+1.300%
ASF 10 year Term Facility	2 Jul 29	250	250	-	BBSY+1.550%
Total term loans		5,991	5,991	-	
Capex Facility C	1 Jun 22	721	693	28	BBSY+0.800%
Working Capital Facility D	1 Jun 22	250	27	223	BBSY+0.800%
Total liquidity		971	720	251	
Total		13,380	13,129	251	

12 Borrowings (continued)

(b) Reconciliation of liabilities arising from financing activities

	1 July 2020	Cash flows	Non-cash changes				30 June 2021
			Fair value adjustments	Foreign exchange movements	Amortisation	Acquisition	
	$M	$M	$M	$M	$M	$M	$M
A$ denominated interest bearing loans	6,707	(1,694)	1	-	-	-	5,014
A$ denominated interest bearing notes	1,593	1,220	(42)	-	-	-	2,771
US$ denominated interest bearing notes	4,389	-	(281)	(334)	-	-	3,774
EUR denominated interest bearing notes	1,125	-	(16)	(35)	-	-	1,074
Transaction costs	(79)	(5)	-	-	23	-	(61)
Lease liabilities	28	(4)	-	-	3	2	29
Total liabilities from financing activities	13,763	(483)	(338)	(369)	26	2	12,601

	1 July 2019	Cash flows	Non-cash changes				30 June 2020
			Fair value adjustments	Foreign exchange movements	Amortisation	Acquisition	
	$M	$M	$M	$M	$M	$M	$M
A$ denominated interest bearing loans	6,462	243	2	-	-	-	6,707
A$ denominated interest bearing notes	1,576	-	17	-	-	-	1,593
US$ denominated interest bearing notes	3,912	-	393	84	-	-	4,389
EUR denominated interest bearing notes	1,115	-	-	10	-	-	1,125
Transaction costs	(83)	(16)	-	-	20	-	(79)
Lease liabilities	21	(3)	-	-	3	7	28
Total liabilities from financing activities	13,003	224	412	94	23	7	13,763

13 Provisions

	Employee benefits $M	Restructuring $M	Workers compensation and legal $M	Other $M	Total $M
Balance at 1 July 2020	**319**	**2**	**31**	**47**	**399**
Additional provision	**140**	**27**	**8**	**15**	**190**
Amounts used	**(148)**	**(25)**	**(7)**	**(3)**	**(183)**
Amount reversed	**(25)**	**-**	**-**	**(1)**	**(26)**
At 30 June 2021	**286**	**4**	**32**	**58**	**380**
Current	**249**	**4**	**10**	**12**	**275**
Non-current	**37**	**-**	**22**	**46**	**105**
At 30 June 2021	**286**	**4**	**32**	**58**	**380**
Balance at 1 July 2019	329	110	28	63	530
Additional provision	140	2	10	1	153
Amounts used	(149)	(105)	(7)	(4)	(265)
Amount reversed	(1)	(5)	-	(13)	(19)
At 30 June 2020	319	2	31	47	399
Current	252	2	7	19	280
Non-current	67	-	24	28	119
At 30 June 2020	319	2	31	47	399

(a) Employee benefits

The provision for employee benefits relates to amounts accruing to employees up to the reporting date in respect of annual leave, bonus, preserved sick leave, superannuation, supplementary superannuation, long service leave and defined benefit plan. Amounts provided for in relation to long service leave, preserved sick leave, supplementary superannuation and defined benefit plan are based on actuarial assessments.

Employee benefit amounts expected to be settled within 12 months have been measured at the amounts expected to be paid when the liabilities are settled. The non-current provision for employee benefits includes $nil million relating to the defined benefit plan liability (2020: $25 million). Refer to Note 18 for details.

(b) Restructuring

The Ausgrid Group is continuing its Transformation Program, which has resulted in a significant reorganisation of functions, including a reduction in headcount. The restructuring provision reflects the costs of redundancy payments expected to be made when impacted employees exit the organisation.

(c) Workers compensation and legal

The Ausgrid Group is a self-insurer for workers compensation and meets all liabilities under the workers compensation legislation in NSW and other states. The provision covers claims incurred but not yet reported and the anticipated fund management fees in respect of the management of those claims.

A bank guarantee is held for security and can be drawn down in the event of a default. Refer to Note 23 for details.

13 Provisions (continued)

(d) Other

Other provisions mainly consist of provisions for future Polychlorinated Biphenyls (**PCB**) disposal costs, costs relating to decommissioning assets and make good.

(i) Provision for PCB disposal costs

This provision reflects future PCB disposal costs at the end of life of network equipment where there is a legislative obligation.

The provision as at 30 June 2021 was $20 million (2020: $18 million) and reflects an estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. Future disposal costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future disposal costs is capitalised and is depreciated in accordance with the policy set out in Note 1(t). The unwinding of the effect of discounting the provision is recognised as a finance cost.

(ii) Provision for costs relating to decommissioning assets

The provision to cover the expected future costs associated with decommissioning the Ausgrid Group's network assets as at 30 June 2021 was $34 million (2020: $24 million). Future costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future asset decommissioning costs is capitalised and is depreciated in accordance with the policy set out in Note 1(t). The unwinding of the effect of discounting the provision is recognised as a finance cost.

14 Other liabilities and contract liabilities

	2021 $M	2020 $M
Current		
Deposits	**1**	2
Deferred revenue	**4**	3
Total current other liabilities	**5**	5
Current contract liabilities		
Deferred street lighting revenue	**3**	2
Street lighting capital contribution	**2**	1
Development rights agreement	**1**	-
Other	**2**	3
Total current contract liabilities	**8**	6
Non-current contract liabilities		
Street lighting capital contribution	**31**	22
Deferred street lighting revenue	**26**	14
Development rights agreement	**7**	-
Total non-current contract liabilities	**64**	36

14 Other liabilities and contract liabilities (continued)

During the year, $3 million revenue relating to street lighting (both street lighting capital contributions and deferred street lighting revenue) was recognised (2020: $2 million) that was included in the contract liabilities balance on 1 July 2020.

15 Derivatives

	2021 $M	2020 $M
Non-current asset		
IRS	**117**	81
CCIRS	**393**	1,065
Total non-current derivative financial assets	**510**	1,146
Total derivative financial assets	**510**	1,146
Non-current liability		
IRS	**(632)**	(991)
Total non-current derivative financial liabilities	**(632)**	(991)
Total derivative financial liabilities	**(632)**	(991)
Net derivative financial (liabilities)/assets	**(122)**	155

16 Partner capital

	AOP		AAP		PLUS ES	
	Number	$M	Number	$M	Number[1]	$M
30 June 2021						
Ordinary capital interest	**504**	**865**	**504**	**3,538**	**4,612**	**92**
A class capital interest	**496**	**851**	**496**	**3,483**	**4,538**	**91**
Total contributed equity	**1,000**	**1,716**	**1,000**	**7,021**	**9,150**	**183**
30 June 2020						
Ordinary capital interest	504	865	504	3,538	4,612	92
A class capital interest	496	851	496	3,483	4,538	91
Total contributed equity	1,000	1,716	1,000	7,021	9,150	183

(1) The number of interests for PLUS ES is in millions.

(a) Partner capital

Ordinary capital interest

Ordinary capital interests of AOP, AAP and PLUS ES were issued to Blue Op Partner Pty Limited as trustee for Blue Op Partner Trust (**Blue AOP**) and Blue Asset Partner Pty Limited as trustee for Blue Asset Partner Trust (**Blue AAP**) on 20 October 2016 and Blue PLUS ES Partner Pty Limited as trustee for Blue PLUS ES Partner Trust (**Blue PLUS ES**) on 1 November 2017. Blue AOP, Blue AAP and Blue PLUS ES are controlled by a consortium led by IFM Investors and AustralianSuper. The interests are classified as equity and are fully paid.

16 Partner capital (continued)

(a) Partner capital (continued)

A class capital interest

A class capital interest of AOP, AAP and PLUS ES were issued to four separate Electricity Retained Interest Corporation vehicles (**ERIC Partners**) controlled by the NSW State Government on 20 October 2016 for AOP and AAP and 1 November 2017 for PLUS ES. An A class interest will be automatically converted to an ordinary interest when it is held by an entity other than ERIC Partners. The rights and obligations attaching to A class capital interests and ordinary capital interests are identical except for the attached voting rights. The interests are classified as equity and are fully paid.

(b) Partnership liability

Each Partner is responsible for discharging the liabilities of AOP, AAP and PLUS ES in proportion with their respective Partnership interest.

(c) Distribution

Each Partner is entitled to distributions in proportion with their respective Partnership interests. All distributions are subject to approval by the Partnership Board. In accordance with the Partnership Deed, a quarterly distribution of a minimum of 85% of surplus cash will be distributed to Partners, unless Directors make a unanimous determination to distribute a lesser amount in respect of a particular quarter.

Surplus cash is calculated as the operating cash flows of the Partnership for the quarter; less growth and maintenance capital expenditure for the quarter; less interest and debt repayments for the quarter (including any voluntary prepayments); plus the proceeds from debt drawdowns or refinancing undertaken in the quarter; plus proceeds from the sale of any assets in the quarter.

17 Retained earnings

	AOP $M	AAP $M	PLUS ES $M	Total $M
Balance at 1 July 2020	**(262)**	**(612)**	**(28)**	**(902)**
Profit for the year	**168**	**60**	**6**	**234**
Balance at 30 June 2021	**(94)**	**(552)**	**(22)**	**(668)**
Balance at 1 July 2019	(476)	(566)	(22)	(1,064)
Profit/(loss) for the year	244	(46)	(6)	192
Distributions paid	(30)	-	-	(30)
Balance at 30 June 2020	(262)	(612)	(28)	(902)

18 Superannuation - defined benefit plan

The Ausgrid Group has a Defined Benefit Superannuation Plan (**the Fund**) covering a number of employees, which requires contributions to be made to a separately administered fund.

(a) Nature of the benefits provided by the Fund

The Scheme is divided into seven divisions, of which Divisions B, C and D provide defined benefits, that is at least a component of the final benefit which is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. Divisions B, C and D are closed to new members except for members of eligible schemes who can transfer their entitlements into the Scheme.

18 Superannuation - defined benefit plan (continued)

(a) Nature of the benefits provided by the Fund (continued)

Disclosures below are prepared in relation to Divisions B, C and D only. These Divisions are referred to collectively as 'the Fund'.

(b) Risk exposure

There are a number of risks to which the Fund exposes the Ausgrid Group. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and the Ausgrid Group will need to increase contributions to offset any shortfall.
- Longevity risk - The risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The Scheme assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

(c) Reconciliation of the net defined benefit liability

The following table summarises the components of net benefit expense recognised in profit or loss, actuarial gains and losses recognised in other comprehensive income and funded status and amounts recognised in the statement of financial position.

18 Superannuation - defined benefit plan (continued)

(c) Reconciliation of the net defined benefit liability (continued)

	Present value of obligations $M	Fair value of Fund assets $M	Total $M
At 1 July 2020	**(290)**	**265**	**(25)**
Current service cost	**(4)**	**-**	**(4)**
Interest (expense)/income	**(8)**	**7**	**(1)**
Settlements	**20**	**(19)**	**1**
Defined benefit superannuation income/(expense) recognised in profit or loss	**8**	**(12)**	**(4)**
Contributions by the Fund participants:			
Employers	**-**	**5**	**5**
Fund participants	**(2)**	**2**	**-**
	(2)	**7**	**5**
Remeasurements:			
Return on Fund assets, excluding amounts included in interest income	**-**	**32**	**32**
Loss from change in financial assumptions	**(3)**	**-**	**(3)**
Loss from change in liability experience	**(5)**	**-**	**(5)**
Defined benefit superannuation actuarial (loss)/gain recognised in other comprehensive income	**(8)**	**32**	**24**
Benefits paid	**20**	**(20)**	**-**
Tax and expenses paid	**1**	**(1)**	**-**
	21	**(21)**	**-**
At 30 June 2021	**(271)**	**271**	**-**

18 Superannuation - defined benefit plan (continued)

(d) Fair value of Fund assets

The fair value of Fund assets, provided by the Trustee of the Scheme, is for the total assets of Divisions B, C and D of the Scheme and comprise of defined benefit and defined contribution assets for all participating employers. The value of defined benefit assets attributable to the Ausgrid Group cannot be separately disclosed. Refer to Note 26(f) for details on fair value hierarchy.

Asset category	Total $M	Quoted price in active markets for identical assets Level 1 $M	Significant observable input Level 2 $M	Unobservable input Level 3 $M
At 30 June 2021				
Energy Investment Fund	**2,012**	**-**	**2,012**	**-**
At 30 June 2020				
Energy Investment Fund	1,835	-	1,835	-

(e) Significant actuarial assumptions at the reporting date

Expected salary increase rate (excluding promotional increase)	2.00% for 2021/22; 2.25% for 2022/23; 2.50% for 2023/24; and 2.75% pa thereafter (2020: 2.25% pa)
Rate of Consumer Price Index (**CPI**) increase	1.48% for 2021/22; 1.81% for 2022/23; 2.25% for 2023/24; 2.26% for 2024/25; 2.35% for 2025/26 and 2.50% pa thereafter (2020: 0.93% for 2020/21; 1.21% for 2021/22; 1.61% for 2022/23; 2.08% for 2023/24; 2.35% for 2024/25 and 2.50% pa thereafter)
Discount rate	2.98% pa (2020: 2.85% pa)
Pensioner mortality	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2018. The pension mortality rates are based on experience of the NSW public sector.

19 Key management personnel compensation

The Ausgrid Group defines key management personnel as those having authority and responsibility for planning, directing and controlling the activities of the Ausgrid Group as well as the Directors of the Ausgrid Group. Key management personnel comprise the Non-Executive Directors of AOP, AAP and PLUS ES as well as the Ausgrid Group's executive leadership team. Although the Non-Executive Directors are listed below, they do not have management responsibility.

Non-Executive Directors

Dr Helen Nugent AO

Ashley Barker

Belinda Gibson

Jason Peasley

Michael Byrne

Michael Hanna

Robert Wright

Steven MacDonald

Wendy Thorpe

The above are Non-Executive Directors of AOP, AAP and PLUS ES. In addition to the above, Hugh Gleeson is a Non-Executive Director of AOP and AAP. Derek Chu was a Non-Executive Director of PLUS ES through to 5 November 2020 (resigned). Terry Sinclair was appointed as a Non-Executive Director of PLUS ES on 5 November 2020.

Key management personnel remuneration

In addition to their salaries, the Ausgrid Group also provides post-employment benefits to key management personnel. In the case of the Non-Executive Directors, apart from the Chairman, remuneration is paid by the relevant Partner.

On that basis, the remuneration of the key management personnel was:

	2021 $	2020 $
Short-term employee benefits	**10,447,676**	9,632,222
Long-term benefits	**3,601,784**	4,185,849
Termination benefits	**1,611,963**	443,205
Post-employment benefits	**306,205**	282,727
	15,967,628	14,544,003

20 Remuneration of auditors

During the year, the following fees were paid, or payable for, services provided by PricewaterhouseCoopers Australia, the auditor of the Ausgrid Group:

(i) Audit and other assurance services

	2021 $	2020 $
Audit and review of financial statements	**935,125**	909,683
Other assurance services		
Regulatory audit services	**256,839**	262,258
Review of debt offering documents	**100,000**	-
IT review	**50,000**	-
Total remuneration for audit and other assurance services	**1,341,964**	1,171,941

(ii) Other non-assurance services

Workshops and training services	**-**	25,107
Tax compliance services	**108,500**	93,500
Total remuneration for other non-assurance services	**108,500**	118,607
Total remuneration	**1,450,464**	1,290,548

21 Capital expenditure commitments

Commitments for the acquisition of property, plant and equipment and intangible assets not recognised in the consolidated financial statements at the reporting date is as follows:

	2021 $M	2020 $M
Within one year	**135**	138
Later than one year but no later than five years	**14**	53
	149	191

22 Leases

Lease receivables - leases as lessor

The Ausgrid Group leases out its properties, including premises, land and network assets, under lease agreements at market rentals, predominantly on a fixed term basis. The future minimum lease receivables under non-cancellable leases are as follows:

	2021 $M	2020 $M
Within one year	**4**	7
Later than one year but no later than five years	**4**	6
Later than five years	**5**	5
	13	18

23 Contingent liabilities and contingent assets

	2021 $M	2020 $M
Contingent liabilities		
Guarantees provided to regulatory and statutory authorities	**43**	35
Guarantees provided to external parties	**5**	5
	48	40
Contingent assets		
Potential recoveries from workers compensation claims	**1**	-
	1	-

The guarantees provided to regulatory and statutory authorities relate to bank guarantees in place in relation to the Ausgrid Group's self-insured workers compensation.

24 Group entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policies described in Note 1 for which AOP is the parent entity. All entities are incorporated in Australia.

Name of entity

AAP
Ausgrid Management Pty Limited (**AMPL**)
Ausgrid Finance Pty Limited (**AFPL**)
PLUS ES
PLUS ES Management 1 Pty Limited (**PESM1**)
PLUS ES Management 2 Pty Limited (**PESM2**)
Active Stream Pty Limited (**Active Stream**)

25 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

	2021 $M	2020 $M
Profit for the year	**234**	192
Add/(less) non-cash items:		
Depreciation and amortisation	**678**	639
Non-cash capital contributions	**(117)**	(123)
Unwinding of government grants	**(1)**	(1)
Amortisation of loan transaction costs	**23**	20
Hedge ineffectiveness	**(16)**	9
Capitalised interest	**(5)**	(6)
Interest accrual	**(4)**	-
Adjustments to SFA	**2**	2
Net loss on disposal of property, plant and equipment	**6**	10
Changes in assets and liabilities:		
Trade and other receivables	**9**	-
Contract assets	**(15)**	64
Prepayments	**(8)**	(4)
Inventories	**8**	7
Trade and other payables	**(4)**	(33)
Contract liabilities	**20**	9
Provisions	**(8)**	(126)
Other liabilities	**-**	1
Net cash inflow from operating activities	**802**	660

26 Financial risk management

(a) Financial risk management objectives and policies

The Ausgrid Group is involved in activities that expose it to a variety of financial risks including credit risk, fair value risk, interest rate risk and currency risk. In accordance with Board approved policies, financial instruments may be used to hedge the exposure to fluctuations in exchange rates and interest rates.

The Ausgrid Group manages exposure to key financial risks including credit risk, currency risk, interest rate risk, and liquidity risk, in accordance with the Board approved financial risk management policies. The Board reviews and approves policies for managing each of the key financial risks.

Management of financial risk is carried out by a centralised treasury function which operates under Board approved policies. In addition to the centralised treasury function, external support is acquired from experts in various fields. The Board approved Ausgrid Group Treasury Policy provides clear guidelines in respect of the management of the financial risks of the Ausgrid Group and is designed to reflect the strategic risk management objectives of the Board.

The objective of the Ausgrid Group's financial risk management strategy is to protect the Ausgrid Group's cash flows, profitability and reputation and use reasonable endeavours to maintain a bbb/baa2 baseline credit assessment and not less than bbb-/baa3 (S&P Global Ratings and/or Moody's Investor Services). This includes the need to ensure that sufficient liquidity is available to fund its strategic business plans. Identification and analysis of relevant financial risks and their impact on the achievement of the Ausgrid Group's objectives forms the basis for determining how such risks should be managed. The forecast financial position for the Ausgrid Group is regularly monitored and financial instruments may be used within approved guidelines to hedge exposure to fluctuations in interest rates and exchange rates.

26 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of sustaining a financial loss as a result of the default by a counterparty to make full and timely payments on transactions which have been executed, after allowing for set-offs which are legally enforceable.

The credit risk on financial assets of the Ausgrid Group which have been recognised on the consolidated statement of financial position is the carrying amount, net of any expected credit losses.

Credit risk arises from investments in cash and cash equivalents with banks, derivative financial instruments and credit exposure to customers and/or suppliers. Credit risk also arises from bank facilities which offer committed lines of credit, overdraft facilities, transaction banking services and financial guarantees, which may not be honoured when relied upon. The Ausgrid Group's credit exposure is predominantly with investment grade rated corporations or government owned entities in the energy industry. Where a counterparty is a non-government owned corporation, its credit worthiness is monitored in accordance with the Ausgrid Group Treasury Policy.

The Ausgrid Group Treasury Policy outlines how credit risk exposure will be measured. All credit and recovery risks associated with trade receivables have been provided for in the financial statements.

The credit risk on trade and other receivables and accrued income from unread meters of the Ausgrid Group that have been recognised in the consolidated statement of financial position, is generally the carrying amount net of any impairment provision.

There is no significant credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The loss allowance provision as at 30 June 2021 is determined as follows. The expected credit losses below also incorporate forward looking information:

	Current	Less than 3 months past due	3 to 6 months past due	Later than 6 months past due	Total
2021					
Expected loss rate	**0.15%**	**6.96%**	**17.54%**	**20.20%**	
Gross carrying amount ($M)	**327**	**7**	**3**	**4**	**341**
Loss allowance provision ($M)	**-**	**-**	**(1)**	**(1)**	**(2)**
Net receivables and contract assets	**327**	**7**	**2**	**3**	**339**
2020					
Expected loss rate	0.11%	3.71%	9.71%	7.21%	
Gross carrying amount ($M)	299	17	8	12	336
Loss allowance provision ($M)	-	(1)	(1)	(1)	(3)
Net receivables and contract assets	299	16	7	11	333

(c) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Ausgrid Group may also be exposed to foreign currency risk in respect of purchases of capital equipment that are denominated in a currency other than AUD.

26 Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

The Ausgrid Group uses forward exchange contracts and CCIRS to hedge its foreign currency risk for all foreign exchange exposures that exceed $5 million in value.

The Ausgrid Group may issue debt in a foreign currency and uses CCIRS contracts to hedge foreign currency risk arising from the foreign currency debt.

Sensitivity

The Ausgrid Group is primarily exposed to changes in US$/A$ and EUR/A$ exchange rates. The sensitivity of profit or loss and other components of equity to changes in the spot exchange rates arises from USD and EUR denominated financial instruments designated in cash flow hedges.

	Impact on post-tax profit		Impact on other components of equity	
	2021 $M	2020 $M	**2021 $M**	2020 $M
US$/A$ exchange rate - increase 10%[1]	**5**	-	**(16)**	21
US$/A$ exchange rate - decrease 10%[1]	**(7)**	-	**27**	(24)
EUR/A$ exchange rate - increase 10%[1]	**-**	-	**-**	3
EUR/A$ exchange rate - decrease 10%[1]	**(1)**	-	**2**	(4)

(1) Holding all other variables constant

The Ausgrid Group has USD and EUR denominated foreign currency borrowings. The effects of the foreign currency related hedging instruments on the Ausgrid Group's financial position and performance are as follows:

Derivative financial instruments - CCIRS (USPP and US144A)

	2021	2020
Carrying amount ($M)	**105**	461
Notional amount in USD ($M)	**2,630**	2,630
Maturity	**May 2023 - Oct 2032**	May 2023 - Oct 2032
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**142**	511
Change in value of derivative used to determine hedge effectiveness ($M)	**121**	472
Weighted average hedge rate for the year	**0.78**	0.78

Derivative financial instruments - CCIRS (EMTN)

Carrying amount ($M)	**(36)**	4
Notional amount in EUR ($M)	**650**	650
Maturity	**Jul 2025**	Jul 2025
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**(15)**	20
Change in value of derivative used to determine hedge effectiveness ($M)	**(19)**	13
Weighted average hedge rate for the year	**0.63**	0.63

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The Ausgrid Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Ausgrid Group to cash flow interest rate risk.

In accordance with Board approved policies, the Ausgrid Group ensures that its debt portfolio is managed within a risk framework including weighted average debt maturity and debt maturity in any 12 month period. As at the end of the reporting period, the Ausgrid Group has derivative financial instruments in place (IRS and CCIRS) which have been valued using valuation techniques with market observable inputs.

Instruments used by the Ausgrid Group

IRS are used to hedge interest cost and manage the variable rate exposure of total debt. Interest rates are fixed by putting in place IRS contracts which exchange floating rate obligations into fixed rate obligations. The interest cost on 99.1% (2020: 95.4%) of total debt outstanding is fixed.

As at the end of the reporting period, the Ausgrid Group had the following variable rate borrowings and IRS contracts outstanding:

2021	**Weighted average interest rate %**	**Balance $M**	**% of total loans**
Bank overdrafts, bank loans and note issuances[1]	**1.44**	**12,158**	**100.0%**
IRS (notional principal amount)[2]	**2.20**	**12,055**	**99.1%**
Net exposure to cash flow interest rate risk	**0.91 - 1.90**	**103**	**0.9%**

(1) Includes fixed rate note issuance swapped into floating rate AUD obligation

(2) Excludes forward starting swaps commencing post 30 June 2021

2020

Bank overdrafts, bank loans and note issuances	1.73	12,632	100.0%
IRS (notional principal amount)	2.25	12,049	95.4%
Net exposure to cash flow interest rate risk	1.18 - 2.20	583	4.6%

The interest rate profile for the Ausgrid Group's interest bearing financial instruments (excluding lease liabilities) at the reporting date was:

	2021		2020	
	Notional in AUD $M	**Notional swapped to fixed AUD via CCIRS/IRS $M**	Notional in AUD $M	Notional swapped to fixed AUD via CCIRS/IRS $M
A$ denominated fixed rate liability	**1,720**	**1,720**	970	970
US$ denominated fixed rate liability	**3,364**	**3,364**	3,364	3,364
EUR denominated fixed rate liability	**1,037**	**1,037**	1,037	1,037
A$ denominated floating rate liability	**6,037**	**5,934**	7,261	6,678
	12,158	**12,055**	12,632	12,049

The proportion of net debt exposed to floating rates is 0.9% (2020: 4.6%)

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The Ausgrid Group accounts for all its fixed rate financial assets and liabilities at amortised cost. The Ausgrid Group has variable rate financial liabilities at the reporting date. The Ausgrid Group's borrowings are 99.1% hedged (2020: 95.4%). A change in interest rates by one percentage point at the reporting date would have an impact on the Ausgrid Group's profit or loss or equity as discussed below.

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity are sensitive to an increase/(decrease) in the fair value of the cash flow hedges of borrowings.

	Impact on post-tax profit		Impact on other components of equity	
	2021 $M	2020 $M	**2021 $M**	2020 $M
Interest rates - increase by 1%[1]	**2**	10	**551**	701
Interest rates - decrease by 1%[1]	**(4)**	(15)	**(581)**	(565)

(1) Holding all other variables constant

The effects of the interest rate related hedging instruments on the Ausgrid Group financial position and performance are as follows:

Derivative financial instruments - IRS[1]

	2021	2020
Carrying amount ($M)	**(521)**	(919)
Notional amount ($M)	**14,235**	13,479
Maturity	**Jul 2021 - Jul 2031**	Jul 2020 - Jul 2030
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**(518)**	(918)
Change in value of derivative used to determine hedge effectiveness ($M)	**(521)**	(919)
Weighted average hedge rate for the year (%)	**2.26**	2.34

(1) Designated as fair value hedges and cash flow hedges

Derivative financial instrument - CCIRS

	2021	2020
Carrying amount ($M)	**324**	600
Notional amount ($M)	**4,527**	4,896
Maturity	**May 2023 - Oct 2032**	May 2023 - Oct 2032
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness ($M)	**322**	618
Change in value of derivative used to determine hedge effectiveness ($M)	**324**	491
Weighted average hedge rate for the year (%)	**3.21**	3.23

(d) Capital risk management

The Ausgrid Group's objectives are to maintain an appropriate capital structure to enable an appropriate return on equity and efficient investment decisions to be made on a commercial basis.

26 Financial risk management (continued)

(d) Capital risk management (continued)

The Ausgrid Group maintains an appropriate capital structure in consideration of the following criteria:

- Maintain a bbb/baa2 baseline credit assessment and not less than bbb-/baa3 in accordance with the Ausgrid Group Treasury Policy.
- Provision of an appropriate return to shareholders without compromising the principles or objectives of the Ausgrid Group Treasury Policy.
- Ability to meet key debt service criteria, based on industry benchmarks.
- Capacity to finance the approved capital expenditure program through internally generated cash flows and debt, with consideration of the current phase of the investment cycle.
- Provision of sufficient flexibility for relevant contingencies.

Key financial covenants include a debt to RAB ratio of less than 90% and a cash flow coverage ratio of greater than 1.2 times interest expense. These have been complied with during the year.

(e) Liquidity risk

Liquidity risk is the risk of difficulty in ensuring the availability of sufficient funds to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Ausgrid Group Treasury Policy provides an appropriate framework for the management of the Ausgrid Group's short, medium and long-term funding and liquidity management requirements.

The Ausgrid Group's liquidity risks are managed with the availability of readily accessible standby facilities and other funding arrangements placing surplus funds on deposit.

(i) Maturities of financial liabilities

The table below categorises the Ausgrid Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For the derivatives, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

26 Financial risk management (continued)

(e) Liquidity risk (continued)

(i) Maturities of financial liabilities (continued)

Contractual maturities of financial liabilities 2021	Less than 6 months $M	6 - 12 months $M	Between 1 and 2 years $M	Between 2 and 5 years $M	Over 5 years $M	Total contractual cash flows $M	Carrying amount $M
Non-derivatives							
Trade payables	**267**	**-**	**-**	**-**	**-**	**267**	**267**
Loans and notes	**141**	**1,498**	**937**	**5,477**	**6,107**	**14,160**	**12,572**
Lease liabilities	**2**	**2**	**3**	**10**	**127**	**144**	**29**
Total non-derivatives	**410**	**1,500**	**940**	**5,487**	**6,234**	**14,571**	**12,868**
Derivatives							
IRS	**88**	**82**	**137**	**212**	**46**	**565**	**632**
Total derivatives	**88**	**82**	**137**	**212**	**46**	**565**	**632**
	498	**1,582**	**1,077**	**5,699**	**6,280**	**15,136**	**13,500**
2020							
Non-derivatives							
Trade payables	266	-	-	-	-	266	266
Loans and notes	153	137	3,348	4,017	7,292	14,947	13,735
Lease liabilities	2	2	3	9	123	139	28
Total non-derivatives	421	139	3,351	4,026	7,415	15,352	14,029
Derivatives							
IRS	119	120	222	463	153	1,077	991
Total derivatives	119	120	222	463	153	1,077	991
	540	259	3,573	4,489	7,568	16,429	15,020

26 Financial risk management (continued)

(f) Recognised fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table presents the Ausgrid Group's assets and liabilities measured and recognised at fair value at the reporting date.

2021	Notes	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Recurring fair value measurements					
Derivatives	15	-	(122)	-	(122)
Total		-	(122)	-	(122)
Non-recurring fair value measurements					
Assets classified as held for sale	8	-	-	5	5
Total		-	-	5	5
2020					
Recurring fair value measurements					
Derivatives	15	-	155	-	155
Total		-	155	-	155
Non-recurring fair value measurements					
Assets classified as held for sale	8	-	-	4	4
Total		-	-	4	4

The carrying amounts of financial instruments which are not measured at fair value in the statement of financial position approximate their fair values.

(g) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using maximum observable market input data, which include prices from observable current market transactions and dealer quotes for similar instruments.

26 Financial risk management (continued)

(h) Non-recurring fair value measurements

Non-current assets classified as held for sale during the reporting period are measured at the lower of their carrying amount and FVLCOD and are included in Level 3.

Assets held for sale comprises land and buildings transferred from property, plant and equipment. The valuation techniques and significant input used in the calculation have been discussed under Note 1(o).

(i) Fair value versus carrying amount

The carrying amounts and fair values of financial assets and liabilities at the reporting date are:

		2021		2020	
	Notes	**Carrying amount $M**	**Fair value $M**	Carrying amount $M	Fair value $M
Financial assets carried at amortised cost					
Cash and cash equivalents		**249**	**249**	403	403
Trade and other receivables	7	**62**	**62**	71	71
Contract assets	7	**277**	**277**	262	262
Total financial assets		**588**	**588**	736	736
Financial liabilities carried at amortised cost					
Loans and notes	12(a)	**12,572**	**13,159**	13,735	14,000
Lease liabilities	12	**29**	**29**	28	28
Trade and other payables	11	**267**	**267**	266	266
Deposits	14	**1**	**1**	2	2
Total financial liabilities		**12,869**	**13,456**	14,031	14,296

27 Events occurring after the reporting period

On 2 July 2021, the Ausgrid Group renegotiated its existing $721 million Capex Facility and $250 million Working Capital Facility under the existing Terms and Conditions of the SFA. The maturity for both facilities was extended by two years from the original maturity date of 1 June 2022 to 1 June 2024.

Other than the above mentioned matter, no other matter or circumstance has occurred subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Ausgrid Group, the results of those operations or the state of affairs of the Ausgrid Group in subsequent financial years.

In the Directors' opinion:

(a) the consolidated financial statements and notes, as set out on pages 2 to 58 are in accordance with the Partnership Deeds, and:

  (i) comply with Accounting Standards as described in Note 1 to the consolidated financial statements and other mandatory professional reporting requirements;

  (ii) give a true and fair view of the Ausgrid Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and in accordance with the accounting policies described in Note 1 to the consolidated financial statements; and

(b) there are reasonable grounds to believe that the Ausgrid Group will be able to pay its debts as and when they become due and payable.

Note 1(a)(i) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer consistent with the listed entity requirement under section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Dr Helen Nugent AO 23/08/2021 5:51 PM
Director

23 August 2021

Robert Wright 23/08/2021 5:18 PM
Chairman Audit Committee

23 August 2021

Independent auditor's report

To the partners of Ausgrid Group

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of Ausgrid Group as at 30 June 2021 and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1.

The Ausgrid Group (the Group) comprises Ausgrid Operator Partnership (AOP), Ausgrid Asset Partnership (AAP) and PLUS ES Partnership (PLUS ES) and the respective entities that they controlled at year end or from time to time during the financial year.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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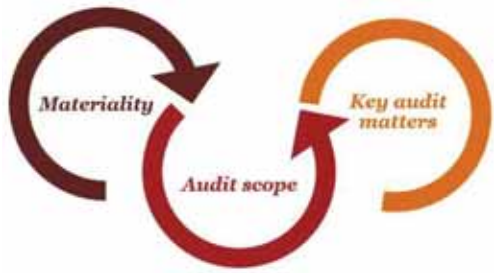
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall materiality of $31 million, which represents approximately 2.5% of the budgeted Group earnings before interest, tax, depreciation and amortisation (EBITDA). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose EBITDA because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group has operations across Sydney, the Central Coast and the Hunter region within New South Wales, with the accounting functions led from the Group's corporate head office in Sydney and Wallsend in Newcastle. The Group is made up of 2 cash generating units. AOP & AAP and the entities they control represent the Network Service Provider ("NSP") CGU and PLUS ES and the entities it controls represent the PLUS ES CGU (as detailed in Note 10a). • We conducted an audit of the financial information of the Group which consists of the NSP and PLUS ES CGUs.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: – Goodwill impairment assessment – Borrowings and associated derivatives • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment *(Refer to note 10(a))* The Group's goodwill is required by Australian Accounting Standards to be tested annually for impairment at the cash generating unit (CGU) level. The Group performed an impairment assessment over goodwill by calculating the fair value less costs of disposal for each CGU, using discounted cash flow models (the models). We considered the impairment assessment to be a key audit matter due to: 1. the size of the goodwill balance 2. the judgements required by the Group in assessing whether an impairment was required. Key judgments used in the model included post tax discount rates, terminal value Regulated Asset Base multiple, terminal growth rates, and the assumption of expected returns from the AER in future regulatory periods.	We performed the following procedures amongst others: • Assessed whether the Group's identification of CGUs, which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our knowledge of the operations and with management's internal reporting. • Assessed whether the CGUs included assets, liabilities and cash flows directly attributable to each CGU. • Tested on a sample basis, the mathematical accuracy of the models. • Evaluated the cash flow forecasts in the models and developed our understanding of the process by which they were prepared. We compared the forecast cash flows used in the models to the most up-to-date corporate business plans presented to the Board for FY22 – FY51 (NSP) and FY22 – FY41 (PLUS ES). • Evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for past financial periods. • Together with PwC valuation experts, assessed whether the discount rate used in the model appropriately reflected the risks of the CGU by performing a shadow weighted average cost of capital (WACC) discount rate calculation. • Compared terminal growth rates used by the Group to economic and industry forecasts. • Considered relevant market transactions as a cross check against the valuation outcomes. • Considered the sensitivity analysis performed by the Group on the key assumptions used in the models (discount rates, terminal growth rate, cash flow variability) to assess under which assumptions an impairment may occur and whether this was reasonably possible. • Evaluated the reasonableness of the disclosures made in Note 10(a), including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Borrowings and associated derivatives

(Refer to note 12 'Borrowings' and Note 15 'Derivatives')

The Group had $12,601 million of borrowings at 30 June 2021. The accounting for the Group's borrowings was considered a key audit matter due to:

1. the borrowings being the largest non-current liability in the consolidated statement of financial position.
2. the impact of the refinancing transactions in the current year to borrowings and borrowing cost balances.
3. the derivatives established upon refinancing were considered to be significant due to the large notional values, composition of cross currency and interest rate swaps and the long time to maturity. The valuation of derivatives at financial year end and hedge accounting required additional audit attention. This included a focus on market volatility arising from the COVID-19 pandemic.

We performed the following procedures, amongst others over borrowings and associated derivatives:

- Obtained confirmations directly from the Group's banks and private lenders to confirm the outstanding balance and key terms of borrowings and derivatives at balance date.
- Recalculated valuation of foreign currency-denominated borrowings at balance date.
- Read the most up-to-date agreements between Ausgrid Finance Pty Limited and its financiers to develop an understanding of any changes to key terms of borrowings.
- Assessed the accounting treatment of borrowing costs arising from new arrangements and borrowing costs related to renewed facilities.
- Obtained an understanding of the relevant covenants, assessed the Group's forecast compliance assessment and considered the covenant headroom available.
- Where debt was classified as non-current, we assessed whether the Group's classification was consistent with the requirements of Australian Accounting Standards.
- For a sample of swap contracts, we agreed the details recorded in the Group's Treasury Management system to critical terms in the contracts, such as payment terms, interest rates, and start and end dates.
- Together with PwC financial instrument experts, for a sample of derivatives, we compared the Group's valuation to third party evidence including credit spreads, interest rate curves and revaluation reports.
- Assessed the hedge accounting calculations and journals with respect to the requirements of Australian Accounting Standards.
- Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared by the directors to meet the information needs of the partners of AOP, AAP and PLUS ES as required under the Partnership Deeds dated 20 October 2016 (AOP and AAP) and 1 November 2017 (PLUS ES). As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the partners of Ausgrid Group.

Responsibilities of the directors for the financial report

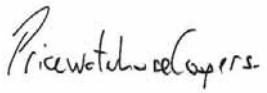
The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the accounting policies described in Note 1, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.



PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
23 August 2021

Glossary

AAP	Ausgrid Asset Partnership
AASB	Australian Accounting Standards Board
AASB 8	AASB 8 Operating Segments
AASB 9	AASB 9 Financial Instruments
AASB 13	AASB 13 Fair Value Measurement
ACS	Alternative Control Services
Active Stream	Active Stream Pty Limited
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AFPL	Ausgrid Finance Pty Limited
AMTN	Australian Medium Term Note
AMPL	Ausgrid Management Pty Limited
ANS	Ancillary Network Services
AOP	Ausgrid Operator Partnership
ASF	Asian Syndicated Facility
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AUD	Australian Dollars
Ausgrid Group	AOP (parent entity), AAP, PLUS ES and their respective controlled entities
BBSW/BBSY	Bank Bill Swap Rate
Blue AAP	Blue Asset Partner Trust
Blue AOP	Blue Op Partner Trust
Blue PLUS ES	Blue PLUS ES Partner Trust
Bps	Basis Points
CCF	Climate Change Fund
CCIRS	Cross Currency Interest Rate Swaps
CGU	Cash-generating Unit
CODM	Chief Operating Decision Makers as defined by AASB 8 Operating Segments
COVID-19	Coronavirus
CPI	Consumer Price Index

Glossary (continued)

DNSP	Distribution Network Service Provider
DUOS	Distribution Use of System
EMTN	Euro Medium Term Note
ERIC Partners	Electricity Retained Interest Corporation vehicles
FVLCOD	Fair Value Less Costs of Disposal
GST	Goods and Services Tax
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
IRS	Interest Rate Swaps
IT	Information Technology
LIBOR	London Interbank Offered Rate
MAR	Maximum Allowable Revenue
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NSP	Network Service Provider
NSW	New South Wales
NUOS	Network Use of System
PCB	Polychlorinated Biphenyls
PLUS ES	PLUS ES Partnership
PESM1	PLUS ES Management 1 Pty Limited
PESM2	PLUS ES Management 2 Pty Limited
RAB	Regulated Asset Base
ROU	Right of Use
SaaS	Software-as-a-Service
S&P	Standard and Poor's
SCS	Standard Control Services
SFA	Syndicated Facility Agreement
the Fund	Divisions B, C and D in the Scheme. These divisions provide defined benefits and are referred to collectively as 'the Fund'
the Scheme	The Energy Industries Superannuation Scheme

Glossary (continued)

TNSP	Transmission Network Service Provider
TUOS	Transmission Use of System
USPP	US Private Placement
VIU	Value in Use

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