

# Spark Infrastructure - Regulatory Guide 231

## Improving Disclosure for Retail Investors

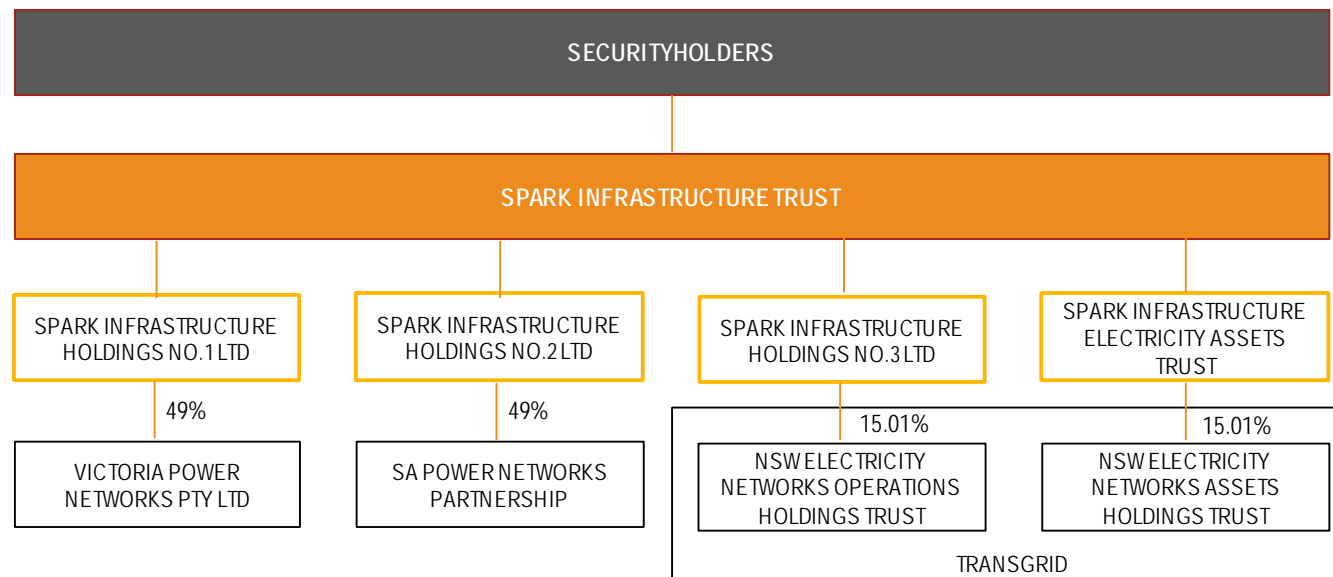
17 March 2017



ASIC Regulatory Guide 231 – Infrastructure entities: Improving disclosure for retail investors sets out benchmark and disclosure principle guidelines for infrastructure entities. A full copy of the ASIC Regulatory Guide can be found on the ASIC website. Spark Infrastructure’s disclosure against those benchmarks and principles is set out below.

The infrastructure entity or Spark Infrastructure Group for the purpose of the disclosure comprises Spark Infrastructure Trust (ARSN 116 870 725) and its consolidated entities. Spark Infrastructure RE Limited (ABN 36 114 940 984) is the responsible entity of Spark Infrastructure Trust. Each unit in Spark Infrastructure Trust is stapled to one Loan Note issued by Spark Infrastructure Trust. The stapled securities trade on the Australian Stock Exchange (ASX) effectively as one security. The abbreviated structure of the Spark Infrastructure Group is set out below.

Spark Infrastructure Group holds a 49% interest in each of CitiPower and Powercor (Victoria Power Networks) located in Victoria, SA Power Networks located in South Australia and a 15.01% interest in each of NSW Electricity Networks Operations Holdings Trust and NSW Electricity Networks Assets Holdings Trust (TransGrid) located in New South Wales.



# Spark Infrastructure - Regulatory Guide 231

## Improving Disclosure for Retail Investors

### Benchmark Disclosure Requirement

#### 1. Corporate structure and management

Spark Infrastructure Group's corporate governance policies and practices conform with the principles and recommendations in ASX Listing Rules Guidance Note 9A and ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

### Spark Infrastructure Statement and Explanation

The benchmark is met. Excluding the Managing Director, Spark Infrastructure's directors are appointed by Securityholders, by virtue of the Governance Deed Poll dated 31 May 2011 and the relevant company constitutions.

Spark Infrastructure Group publishes a Corporate Governance Statement which sets out detailed disclosures in respect of compliance with the ASX Corporate Governance Principles and Recommendations.

A copy of the most recent Spark Infrastructure Corporate Governance Statement can be found at

<http://clients3.weblink.com.au/pdf/SKI/01731546.pdf>

---

#### 2. Remuneration of management

Incentive-based remuneration paid to management of the infrastructure entity is derived from the performance of the infrastructure entity and not the performance of other entities within its consolidated group, except where the infrastructure entity is the parent of the consolidated group.

The benchmark is met. Spark Infrastructure management is remunerated through a combination of fixed remuneration, short term, short term deferred and long term incentives. Fixed remuneration is determined by reference to appropriate benchmarks. Incentive payments are variable and directly linked to the delivery of personal performance and performance against Spark Infrastructure Group's strategic objectives including financial performance and the long-term interests of Securityholders. From 2015 onwards, the long term incentive is an equity settled incentive, based on achievement of board mandated risk adjusted total Securityholder return (TSR) performance conditions and paid after a four year performance and vesting period. From 2017, three measures will apply to the assessment of performance under the long term incentive: risk adjusted TSR, which will have a 50% weighting, and Standalone Operating Cash Flow (OCF) and Look-through OCF, each of which will have a 25% weighting.

Spark Infrastructure publishes a Remuneration Report in the Spark Infrastructure Consolidated Financial Report.

A copy of the most recent Spark Infrastructure Consolidated Financial Report can be found at

<http://clients3.weblink.com.au/pdf/SKI/01832877.pdf>

# Spark Infrastructure - Regulatory Guide 231

## Improving Disclosure for Retail Investors

### Benchmark Disclosure Requirement

#### 3. Classes of units and shares

All units or shares are fully paid and have the same rights.

### Spark Infrastructure Statement and Explanation

The benchmark is met. All Securityholders have fully paid up units in Spark Infrastructure Trust and Loan Notes issued by Spark Infrastructure Trust, which all have the same rights.

Refer to the Spark Infrastructure Corporate Governance Statement for detailed disclosures in respect of compliance with the ASX Corporate Governance Principles and Recommendations.

A copy of the most recent Spark Infrastructure Corporate Governance Statement can be found at

<http://clients3.weblink.com.au/pdf/SKI/01731546.pdf>

---

### 4. Substantial Related Party Transactions

Compliance with ASX Listing Rule 10.1 for substantial related party Transactions.

The benchmark is met for substantial related party transactions. Securityholder approval would be sought as required under Listing Rule 10.1.

Spark Infrastructure Group obtained Securityholder approval for the purposes of Chapter 2E and Part 5C.7 of the Corporations Act (related party transactions) in order to achieve internalisation on 31 May 2011. Spark Infrastructure Group obtained a confirmation from ASX that Securityholder approval for the purposes of Listing Rule 10.1 was not necessary for the same transaction.

Spark Infrastructure sets out details of related party disclosures in the Notes to Financial Statements which are published in the Spark Infrastructure Consolidated Financial Report.

A copy of the most recent Spark Infrastructure Consolidated Financial Report can be found at

<http://clients3.weblink.com.au/pdf/SKI/01832877.pdf>

# Spark Infrastructure - Regulatory Guide 231

## Improving Disclosure for Retail Investors

### Benchmark Disclosure Requirement

#### 5. Cash flow forecast

The infrastructure entity has, for the current financial year, prepared and had approved by its directors:

- (a) a 12-month cash flow forecast for the infrastructure entity and has engaged an independent suitably qualified person or firm to provide, in accordance with the auditing standards:
  - i. negative assurance on the reasonableness of the assumptions used in the forecast; and
  - ii. positive assurance that the forecast is properly prepared on the basis of the assumptions and on a basis consistent with the accounting policies adopted by the entity; and
- (b) an internal unaudited cash flow forecast for the remaining life, or the right to operate (if less), for each new significant infrastructure asset acquired by the infrastructure entity.

#### 6. Base Case Financial Model

Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the infrastructure entity's base-case financial model that:

- (a) checks the mathematical accuracy of the model, including that:
  - (i) the calculations and functions in the model are in all material respects arithmetically correct; and
  - (ii) the model allows changes in assumptions, for defined sensitivities, to correctly flow through to the results; and
- (b) includes no findings that would, in the infrastructure entity's opinion, be materially relevant to the infrastructure entity's investment decision.

### Spark Infrastructure Statement and Explanation

a. The benchmark is not met. Spark Infrastructure management prepare a 12 month cash flow forecast each financial year which is considered and approved by the directors. This is based on the relevant portfolio business financial plans and cashflows, amongst other inputs. However, Spark Infrastructure Group does not engage any independent person or firm to provide assurance on these cashflows.

b. There were no significant infrastructure assets acquired in the current financial year. Spark Infrastructure Group acquired a 15.01% interest in TransGrid on 16 December 2015.

Spark Infrastructure publishes its financial statements in the Spark Infrastructure Consolidated Financial Report.

A copy of the most recent Spark Infrastructure Consolidated Financial Report can be found at

<http://clients3.weblink.com.au/pdf/SKI/01832877.pdf>

The benchmark is met. In accordance with Australian accounting standards the carrying value of Spark Infrastructure Group's investments is revalued each reporting period. The process by which this is undertaken is documented in the most recent Spark Infrastructure Consolidated Financial Report which can be found at

<http://clients3.weblink.com.au/pdf/SKI/01832877.pdf>

The results of the above review are reviewed by the External Auditor. In addition, key assumptions included in Spark Infrastructure Group's base case financial model were reviewed by PwC in June 2016.

# Spark Infrastructure - Regulatory Guide 231

## Improving Disclosure for Retail Investors

### Benchmark Disclosure Requirement

#### 7. Performance and forecast

For any operating asset developed by the infrastructure entity, or completed immediately before the infrastructure entity's ownership, the actual outcome for the first two years of operation equals or exceeds any original publicly disclosed forecasts used to justify the acquisition or development of that asset.

### Spark Infrastructure Statement and Explanation

Not applicable. Spark Infrastructure Group has not developed any operating asset, or acquired any operating asset completed immediately before Spark Infrastructure Group's ownership, since its IPO in 2005.

---

#### 8. Distributions

If the infrastructure entity is a unit trust, it will not pay distributions from scheme borrowings.

The benchmark is met. Spark Infrastructure Group's distributions have to date been fully covered by operating cash flows.

---

#### 9. Updating unit prices

If the infrastructure entity is unlisted and a unit trust, after finalising a new valuation for an infrastructure asset, the infrastructure entity reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.

Not applicable. Spark Infrastructure Group is an ASX listed stapled security.