



AustNet Services 2021 AGM Report

ASX Code	AST
Meeting Time/Date	2.00pm Thursday 15th July 2021
Type of Meeting	Virtual
Monitor	Christine Haydon, Mike Robey, Richele Janjatovic
Pre AGM Meeting?	Yes, with Peter Mason (Chair), Sally Farrier (Director), Jo McConnell (EGM), John Nicolopoulos (Head IR/Tax), Luke Maffei Manager Investor Relations.

No Storms for AusNet Today

What the Company Does

AusNet owns and manages 3 separate energy assets in Victoria including the entire electricity transmission network, one of five electricity distribution networks and one of three gas distribution networks, all are regulated. In addition, they have a business unit, Mondo, which supports the corporate market without regulated pricing in the renewable energy sector. This small but growing part of the business allows for the interconnection of unregulated alternative energy sources to the AST network such as the interconnection of wind and solar farms to the electricity grid.

Developments in the Financial Year

Focus on completion of the Modern Slavery Statement and the first Task Force for Climate Related Financial Disclosures (TCFD).

Cash flow up 17% to \$845m.

NPAT up 4% to \$302m.

Revenue down 2.7% \$1.924.5. Explained by:

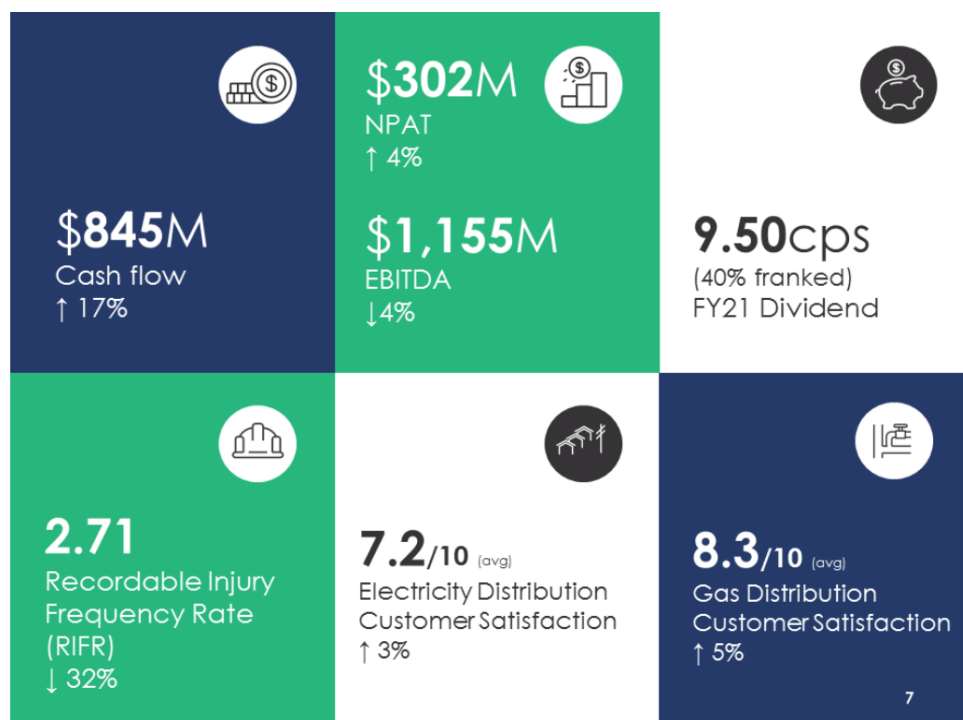
- \$30.7m impairment charge and previous year additional revenue as a catch-up of historical gifted assets
- \$19.1, West Gate Tunnel Relocation project
- \$20.7 and \$14.7 bushfire remediation costs and several other items that had a material impact on revenues

EBITDA down 4% to \$1.155m.

Positive Measures

- Injury rate down 32%
- Electricity distribution customer satisfaction up 3%
- Gas distribution customer satisfaction up 5%

FY21 Highlights



7

Summary of Historical ASA Issues with the Company

There has been a long history of ASA suggesting that the company should institute a policy of share ownership for independent directors, and this was again a question posed to the Chair at the AGM. Whilst some directors do have shares the Chair again reiterated that AusNet have considered this previously and strongly believe that shareholding does not correlate with director performance.

ASA has continued to raise the issue of gender diversity of the board which remains at 22%, below the benchmark of 30%. This is in large part because the principal shareholders from Singapore Power and China State Grid, which together own 51% of AST, have chosen to nominate four male directors.

In order to send a message to the principal shareholders ASA voted against the re-election of Mr. Alan Chan Hang Loon whilst making it clear that we respected Mr. Chan's contribution which the Chair acknowledged.

Debate and Voting at the AGM

The meeting started with a respectful acknowledgment of the Kulin Nation followed by very positive comments from the Chair re ASA for our engagement giving the company valuable feedback and perspective from retail shareholders. It was also announced that all proxies were published in advance of the meeting and that transcripts of the Chair and Managing Director's addresses were sent to the ASX and were available on the AST website.

The next major announcement was that it would be the chair Peter Mason's last year as he was stepping down and that the majority shareholders had agreed the company would retain an independent Chair.

We were also informed that there had been some underpayments in wages which the company had disclosed to regulators and Fair Work, as yet the quantum had not been completed however a review was underway.

Discussions and questions re the most recent storm event revealed that the estimated cost is between \$26-\$31m with a “pass through” of all reasonable costs. The extent of the damage resulted in assistance being drawn from NSW for the first time. In the 2020 storm 20% of customers lost power by comparison this storm 1/3 of the customer base were without power, some for a long period of time due to extensive damage and the need to build completely new poles, wires, and connections in some areas.

A question was posed re the financials – why are interest payments up when loans are down? The total debt increased including a Euro hybrid.

In terms of voting, as mentioned above, the ASA voted against the re-election of Mr Alan Chan Hang Loon as director. We again questioned why there was no policy for directors to hold shares. Mr Robert Milliner, who holds no shares and nominated for re-election, has all his investments in third party trusts. The Chair responded by saying this had been considered by the board and many of the directors do hold shares. Both directors spoke to their re-election. In terms of gender diversity ASA was supported by a shareholder asking whether the board would commit to 40% female non-executive directors - there was no commitment.

There were no questions re remuneration report.

Increase in total fee pool of non-executive directors resulted in some questions re a stagnant board and the level of responsibility rising if the share price and dividends had not shown growth. The Chair made it clear the increase was primarily aimed at succession planning and there would be a robust process in a search for a replacement Chair.

The grant of equity to the Managing Director was also not questioned along with the final three resolutions – the issue of shares 10% pro rata, dividend reinvestment plan, and employee incentive scheme. These are all annual resolutions under AST constitution.

ASA questioned employee diversity and inclusion with female participation going backwards – at senior management level down 11.7% and female engineers down 4%. We asked about the improvement plans and succession plans for the future. The Chair referred to Executive General Manager Jo McConnell who talked about the FY21 gender balanced recruiting and the energised diversity and inclusion 3 People Pillars Plan around 1. attracting, 2. retaining and developing and 3. flexibility all of which focused on improving female participation.

Stephen Mayne questioned whether China State Grid might possibly sell down their holdings, the Chair made it clear that he would not speculate. Mr Mayne also asked questions re the timing of replacement Chair – will a head-hunting firm be involved, and would the next Chair be based in Melbourne? The answer was that all will be considered.

Both ASA and Stephen Mayne raised the just released AER Benchmarking Report 2020 Multilateral Total Factor Productivity Rating where AusNet ranks 11 out of 13 as a Distribution Network Service Provider, the Managing Director Tony Narvaez explained that there were many historical factors outside AusNet’s control such as the Alcoa outage that were part of the rankings. A further question re gas penetration with the City of Yarra pushing plans for all new developments to have electricity only – his response was that AusNet had enjoyed an uptick of gas connections and substitution by electrification was prohibited currently. AusNet have commenced part of the Gas Access Arrangement Review 23/28 submission process.

A request was made to publish the full transcript of the AGM including questions and answers and the Chair responded that it will be examined.

In summary the virtual meeting was excellent, all questions were answered, the Chair referred to the appropriate person for further detailed answers, proxy voting details were available before the meeting, transcripts of Chair and MD reports published on the AusNet website together with a webcast, and the meeting concluded after 1.30hrs.

Outlook Statements from the Company

Dividend guidance of 9.5cps in FY22.

Targeting \$13.5bn asset base in FY26.

Forecast net debt to less than 70% by FY26.

Main projects - working with Victorian Government and Australian Energy Market Operator to connect new decentralised energy sources and adapt existing networks to enable flexible grids for transmission and storage.

Western Victorian Transmission Project – a major project to build a new 190km transmission line to share renewable energy across the network.

Exploring options for hydrogen as a founding member of Australian Hydrogen Centre.

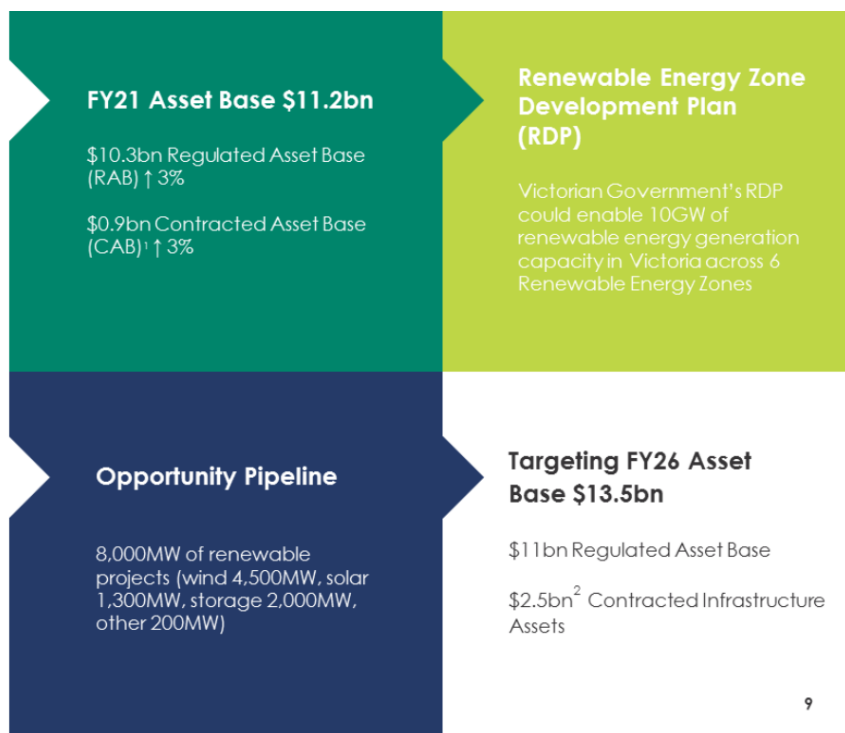
Opportunity Pipeline of 8000MW of renewable projects (wind 4500, solar 1300, storage 2000 & other 200).

Growth

Investing in a new energy future



¹ Contracted assets in service or currently under construction
² Total value under contract (unconditional) regardless of construction phase, currently \$1,021m



Meeting Statistics

Number of Holdings Represented by ASA	67
Number of Shares represented by ASA	901,229
Value of Shares represented by ASA	\$1.640
Number Attending Meeting	146
Market capitalisation	\$6.95b
Were proxies voted?	Poll

Monitor Shareholding

One individual involved in the preparation of this voting intention has a shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.