



Voting Intentions – AusNet Services 2021 AGM

ASX Code	AST
Meeting Time/Date	2pm Thursday 15th July 2021
Type of Meeting	Virtual only
Monitor	Christine Haydon/Mike Robey
Pre AGM Meeting?	Yes, with Peter Mason (Chair), Sally Farrier (Director), Jo McConnell (EGM), John Nicolopoulos (Head IR/tax), Luke Maffei (Manager IR)

Proposed Voting Summary

2a	Re-election of Mr. Alan Chan Hang Loon as a Director	Against
2b	Re-election of Mr. Robert Milliner as a Director	For
3	Adoption of Remuneration Report	For
4	Increase in total fee pool of non-executive directors	For
5	Grant of equity awards to the managing director	For
6	Issue of shares 10% pro rata	For
7	Issue of shares pursuant to dividend reinvestment plan (DRP)	For
8	Issue of shares pursuant to an employee incentive scheme	For

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. ASA has voted against the re-election of directors because they do not have adequate skin in the game and it should be noted despite many years there is still no requirement for directors to own shares.

ASA has continued to raise the issue of gender diversity of the board which remains at 22% below the benchmark of 30% 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. We raised this again for due consideration from Singapore Power and China State Grid to nominate suitably skilled women as their representation.

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The Board has an independent non-executive chair, 3 non-executive independent directors and 4 directors from majority shareholders
- The Board has directors with diversity of geography, age, and ethnic background.
- The company meaningfully discloses Environmental, Social, & Governance (ESG) issues or risks facing business and the processes to manage them.

- The AST capability for risk and resilience continues to be tested with the recent storms however they have a well-practiced ability to respond quickly and effectively.
- The remuneration report is detailed, clearly illustrated, and discloses all the necessary details.
- The Modern Slavery Statement 2020 was produced as a result of extensive work as part of ESG.

Areas for Improvement

- The company does not have a policy where directors and other Key Management Personnel (KMP) have/are investing at least one year's worth of base cash fees in company shares, within 3 to 5 years.
- The company does not have a meaningful skills matrix for the board, it is a generalized matrix which does not indicate specific skills to specific directors or identify skill gaps.
- Gender diversity remains a concern for ASA, the female board representation remains at 22% together with the reduction of some 11.7% of women at senior management levels and 4.5% less females at the engineer level.

Items for Voting

Item 2a	Re-election of Mr. Alan Chan Hang Loon
ASA Vote	Against

Mr. Chan is the nominee director of Singapore Power a majority shareholder.

- He joined the board in May 2018 and currently holds 57,687 shares.
- He has 25 years' experience in the public sector in Singapore following with directorships including Singapore Power.
- The current board skills matrix does not specify individual director skills.

As much as we respect Mr. Alan Chan Hang Loon's contribution to AST as a nominee director for Singapore Power we believe that it is time, after many years requests, that gender diversity be applied to nominations of representative directors of major shareholders. We see this vote as a way to send a message to Singapore Power to seriously consider gender diversity in its asset in Australia.

Item 2b	Re-election of Mr. Robert Milliner
ASA Vote	For

Mr. Milliner was appointed director in July 2015.

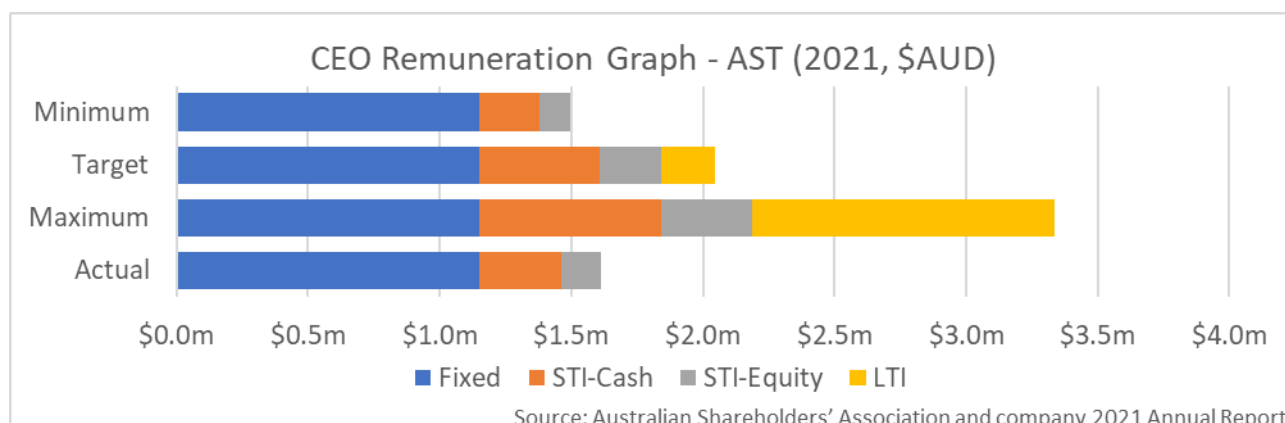
- Current workload in addition to this directorship is - a company chair, 1 directorship, 2 senior advisor roles and a member of business advisory council.
- He was a former chief executive partner in a major law firm with experience in commercial law in major energy sector reform and more recently engaged with multi-lateral fora in relation to finance systems regulation, infrastructure, energy and climate and digitalization.
- The current board skills matrix does not specify individual director skills.

Mr. Milliner does not own any AST shares as his assets are held in third party trusts, which may or may not hold AST shares. This is a matter we will raise at the AGM.

Item 3	Adoption of Remuneration Report
ASA Vote	For

CEO rem. framework	Target* (\$m)	% of Total	Max. Opportunity (\$m)	% of Total
Fixed Remuneration	1.150	60%	1.150	52%
STI - Cash	0.469	27%	0.700	32%
STI - Equity	0.234	13%	0.350	16%
Total	1.854	100%	2.200	100%

The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.



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Positives

- CEO’s actual take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed.
- The total quantum of the CEO remuneration package is in line with the Godfrey Group report benchmarks.
- The quantum of Board fees does not exceed the Godfrey Group report benchmarks.
- At least 50% of CEO’s pay is genuinely at risk, with Short Term Incentives (STIs), if any, less than fixed remuneration.
- The majority of STIs are based on quantifiable and disclosed performance metrics and, where non-financial hurdles are used, no STIs to be paid unless a financial gateway is met.
- The company has stated that it is looking to increase deferred equity in STIs.
- Clear disclosure is provided for all KMP performance hurdles and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- Long Term Incentive (LTI) hurdles are based on at least two hurdles, one of which is Total Shareholder Return (TSR), with no payment if absolute TSR is negative.
- Comparator groups are from similar industries and include key competitors and any relevant foreign companies.

- No LTI awards based on comparator groups vest unless performance is >50th percentile.
- All share grants are allocated at face value not fair value.
- Share grants are satisfied by equity purchased on-market.
- Hurdles are based on statutory earnings.
- No retention payment on any awards is subject only to continuing service.
- No termination payments exceed 12 months fixed pay.
- Board discretion in “change of control” events.
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

Areas for Improvement

- STIs are delivered as 2/3rds cash & 1/3rd deferred rights with a 2-year deferral period. ASA believes that 50% should be paid in equity with a minimum 12 months holding lock.
- As mentioned in the previous year Mr. Narvaez was awarded a sign on bonus of \$750K, comprising \$300K cash, \$100K relocation costs and two year deferred share rights amounting to \$450K. We note this year Mr. Neave was paid a relocation and sign on bonus of \$100K. He came from a Melbourne based company. ASA does not support sign on bonuses but understands (and disagrees with the inflationary practice) the company motive to buy out some of the incentive pay in the previous company of a new starter.
- LTI hurdles are measured a minimum of 3 years. ASA’s view is that it should be over a 4-year period.

Conclusion on Remuneration

AST are aiming for best practice in remuneration, the structure does feature a high at-risk component of total remuneration. There are reasonable performance hurdles and although we would like to see more equity balance in STIs and a longer LTI period of 4 years on balance we will on balance support the remuneration report.

Item 4	Increase in total fee pool of non-executive directors
ASA Vote	For

Last year there was a 15% increase in fees for the chair and 7% for non-executive directors. This resolution proposes an increase of \$500,000. to the total pool for non-executive directors. The intention is to accommodate any temporary changes to the board that may arise due to the management of board succession planning. We were given assurance that this was not to enable increases in pay for Directors in the immediate future. We see this as the perfect opportunity to address the gender issue in line with community expectations and therefore support this motion.

Item 5	Grant of equity awards to the managing director
ASA Vote	For

This is for the maximum LTI award of 645,595 performance rights for Mr Narvaez. The STI’s deferred rights is 131,701 (\$234,600) granted in June 2021.

Item 6	Issue of shares 10% pro rata
ASA Vote	For

Clause 3.1 of their constitution requires that approval be sought for the issue of new shares, despite the ASX listing rule 7.1 permitting the issue of 15% new shares without shareholder permission. This stems from provisions from the Singapore stock exchange (SGX) regulation (where AusNet is also listed) which pre-existed the restructure in 2015 from SP AusNet to the new AusNet Services. This resolution remains in force for 18 months unless changes are approved by shareholders.

Item 7	Issue of shares pursuant to dividend reinvestment plan (DRP)
ASA Vote	For

As per the above this is a requirement in order to issue shares under a dividend reinvestment plan (DRP) subject to ASX listing rules. We support the ability to reinvest dividends into new shares

Item 8	Issue of shares pursuant to an employee incentive scheme
ASA Vote	For

AusNet does not currently have an employee incentive plan but would like the ability to create one. We have no issue with this.

Monitor Shareholding

The individuals involved in the preparation of this voting intention have a shareholding in this company.

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