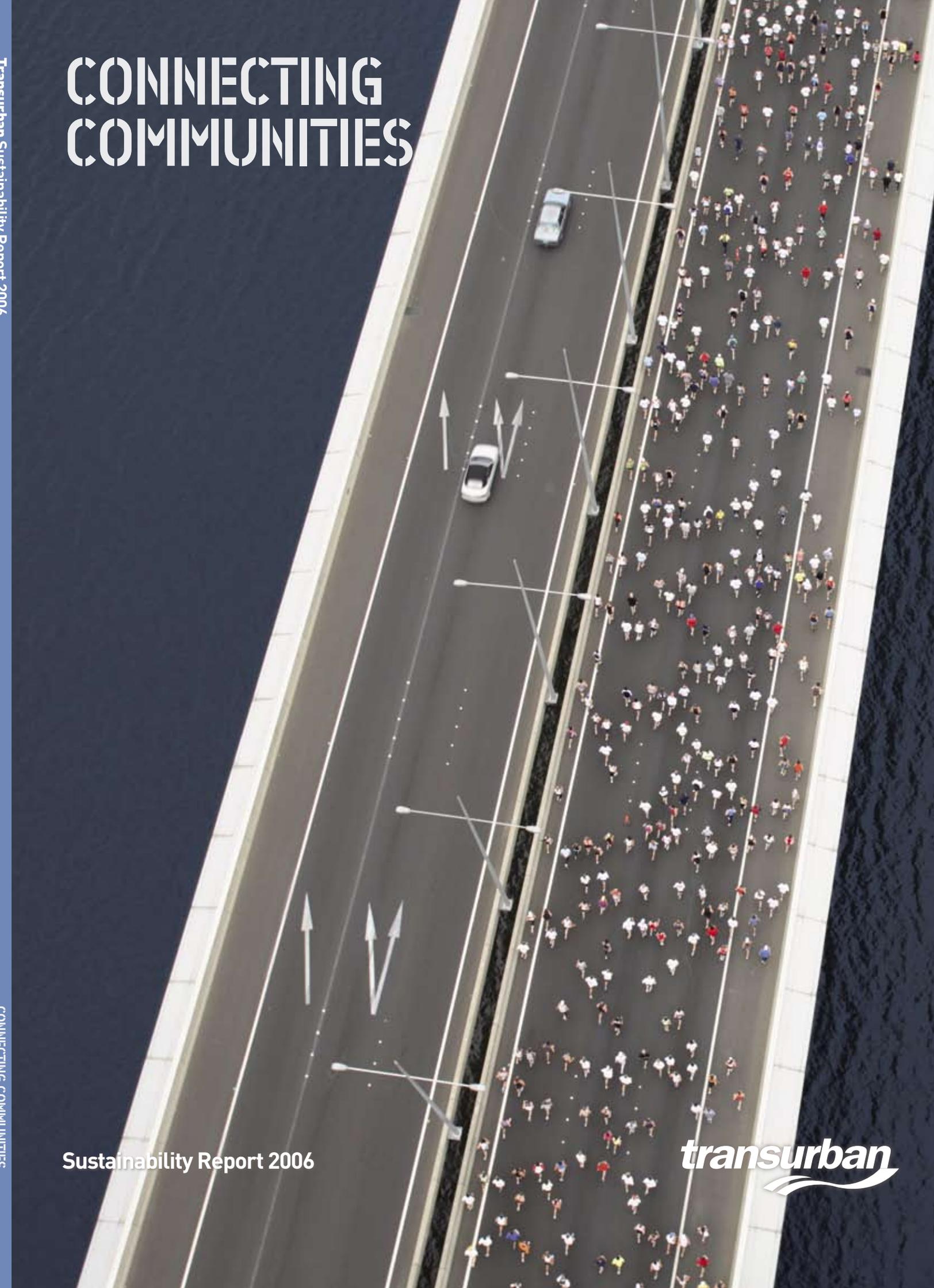


CONNECTING COMMUNITIES

Sustainability Report 2006



CONNECTING COMMUNITIES

< Cover image

Around 20,000 runners and walkers participated in the inaugural Herald Sun–CityLink Run for the Kids fun run on Sunday 9 April 2006—raising over \$400,000 for Melbourne’s Royal Children’s Hospital Good Friday Appeal.

Transurban teamed up with Melbourne’s Herald Sun newspaper to make the run possible, agreeing to close sections of CityLink for the event. This gave participants the chance to traverse the landmark Bolte Bridge and 1.6 kilometre Domain Tunnel. Run for the Kids is one of more than 50 community initiatives Transurban supported in 2005–06.

The scope of this report

This is Transurban Group’s first sustainability report and covers our activities for the financial year ending 30 June 2006 (FY06). We intend to report annually on our sustainability progress.

Data contained in this report covers Transurban corporate offices in Melbourne and Sydney and its toll roads in those cities. There is a substantial amount of data on CityLink, Transurban’s toll road in Melbourne. However, there is limited data on our Sydney roads—Westlink M7 and Hills M2.

We are still developing systems to track the environmental and social performance of Hills M2, which we acquired in June 2005 and took over the operations and maintenance of in May 2006. While we are the customer service and tolling operator for Westlink M7, we only own 47.5 per cent of the road, which opened in December 2005. We aim to provide more data on these roads in future sustainability reports. Information on our recently established United States (US) operations, and Pocahontas Parkway, the road we acquired in Virginia in June 2006, will also be included in future reports.

Some of the reported data is from our major road operations contractors—TransLink Operations Pty Ltd (TLO) for CityLink and Bilfinger Berger Services (BBS) for Hills M2. We believe that the work they carry out for our assets forms part of our social and environmental footprint.

This document is based on reporting guidelines published by the Global Reporting Initiative (GRI). GRI publishes economic, social and environmental indicators for organisations to report on.

Transurban’s sustainability report provides full or partial information on 43 of the 79 indicators in GRI’s draft G3 guidelines. The GRI’s G3 guidelines were published as this report went to print in October 2006. We will use these guidelines as the basis for next year’s report.

Not all of the GRI draft G3 guidelines are relevant to our business. See pages 58 to 61 for the GRI draft G3 indicators and a reference to where in this report you can find information on Transurban’s performance against them.

For more information on the GRI visit www.globalreporting.org

Contact

For further information about this report, contact the Sustainability Reporting team by email at corporate@transurban.com.au or phone +613 8656 8900.

Feedback

We are interested in hearing your feedback on our first sustainability report. Comments can be submitted online at www.transurban.com.au

Unless otherwise stated, all figures quoted are \$AUD

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Roam® is a registered trade mark of Transurban Limited ACN 098 143 410

Roam Express™ is a trade mark of Transurban Limited ACN 098 143 410

Stakeholder 360™ is a trade mark of the Australian Centre for Corporate Social Responsibility

The theme of our first sustainability report is 'Connecting Communities'. We chose this theme as it reflects Transurban's business—roads that physically connect communities—and our desire to make real connections with our stakeholders.

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CONNECTING COMMUNITIES



^ CityLink Gateway, Melbourne

Corporate social responsibility is a strategy for aligning our business with the long term interests of our stakeholders. Without their support, we won't have a business for very long.

Introduction by the Managing Director



Connecting communities

Transurban's business is about connecting communities. We need the support of the communities we serve if we are to deliver returns to our investors. We need to connect with those communities. That is why Transurban is committed to corporate social responsibility (CSR).

CSR makes good business sense. It helps us manage risks in our existing businesses and makes us more competitive in acquiring new ones. It provides the basis for new ways of thinking and innovation. It protects the jobs we provide and helps us create new ones. It supports and grows the value of the Transurban securities held by our investors.

There are many different definitions of CSR. For me, corporate social responsibility is based on a commitment to understanding our impacts on society and the environment and doing something about them—enhancing positive impacts and minimising negative ones, engaging with communities and responding to their concerns. It is about ensuring we consider those impacts in all our activities.

But why should we do that? One way to answer that is to think of CSR as a strategy for aligning a business with the long term interests of its stakeholders. Without their support, we won't have a business for very long.

In my experience, CSR matters to employees because they prefer to work for a company that cares about things beyond the bottom line. A company that cares about them and the communities they live in. People are more productive when they know their employer 'does the right thing'.

It matters to customers. They prefer to deal with companies with good reputations rather than indifferent or bad ones.

And that is why it matters to investors. Increasingly, they see that there are risks in ignoring community, customer and other stakeholder views and in ignoring environmental risks. CSR is about managing those risks, about earning our 'social licence to operate'. The idea of the licence to operate emerged in the global mining industry in the 1990s. Today it is used in many industries to describe a general perception among a company's stakeholders that it is legitimate and worthy of support.

Transurban is a company that delivers infrastructure and services traditionally provided by the public sector. We charge for something that is perceived to be provided free of charge on government-owned roads. That is one reason why our customers expect high standards from us. New road concessions are awarded by governments. And those governments are particularly sensitive to the working practices and reputation of companies competing for such concessions.

So it is in our interests to be a good corporate citizen that treats its customers and employees well, cares about the environment and has broad community support.

To put it another way, the business case for CSR programs at Transurban is fundamentally based on:

- managing risks by preserving and enhancing Transurban's reputation and licence to operate, and
- using our understanding of CSR risks to identify and realise business opportunities.

We want to do the right thing by the business, the community and the environment.

Kimberley Edwards
Managing Director

TRANSURBAN'S SUSTAINABILITY CHALLENGES



^ CityLink and local councils in Melbourne partnered to deliver a 'mural walls' project to reduce the incidence of graffiti on our infrastructure, and provide young artists with the opportunity to harness their talents.

Transurban's sustainability challenges

There are three major sustainability challenges facing Transurban.

1. Managing growth—how do we ensure we maintain and develop our social and environmental commitments as we continue to grow rapidly?
2. Public debate on private investment in infrastructure—how do we respond to criticisms of the Public Private Partnership (PPP) model in our home market, Australia, and to concerns of some parts of the international community?
3. Climate change—what role can we play in responding to this global challenge?

The first challenge is clearly our responsibility. We have plans in place to ensure we meet that responsibility on behalf of our stakeholders.

Responsibility for the second goes further than Transurban. It is up to those people in business and government who support the model to win greater community support for it. We have to demonstrate the benefits of privately funded infrastructure.

Responsibility for the third is wider still. It is not a challenge that individual companies or even countries can solve alone. But each can contribute a response to the challenge. At Transurban, we are still grappling with what our role should be.

In the following pages, we look at the three key challenges in turn.

Managing growth

Transurban listed on the Australian Stock Exchange (ASX) in 1996 with the right to develop and manage one toll road, CityLink in Melbourne. In the 18 months leading up to 30 June 2006, we:

- took over one toll road in Sydney—Hills M2
- opened the tolling and customer account management operations of a second—Westlink M7 in which we have a 47.5 per cent equity interest, and
- acquired a third in the US—the Pocahontas Parkway.

Transurban is moving to ensure it has the systems and processes in place to manage its environmental and social footprints in all the markets it operates in.

Transurban has developed an overarching Community Relations Framework as a basis for a consistent approach to stakeholder and community engagement in all our businesses. This will be the basis for the development of asset and market specific programs.

The Framework commits us to ongoing dialogue with our stakeholders within the communities in which we operate. We may not always agree with what individual stakeholders say or want, but we will listen to them to ensure we understand their point of view.

You can read more about the Community Relations Framework on page 36.

Transurban's stakeholders in Australia have a wide range of interests, across local and global issues. Through a process known as a Stakeholder 360™, Transurban attempted to get a better understanding of the issues stakeholders want us to address.

The Stakeholder 360™ process mapped the relationships across different interest groups, providing a picture of the stakeholder network Transurban operates within.

A summary of the Stakeholder 360™ appears on page 16.

The PPP debate in Australia

Australia leads the world in private sector ownership and management of toll roads. Australia developed the modern toll road concession model.

According to leading economics and planning consultants, SGS, private toll roads have delivered significant economic benefits to Australians by bringing forward road projects and the development and business activity that they create.

Transurban has commissioned SGS to undertake a major research project on Private Financing and Future Road Investment Needs in Australia. This report is still in draft form. However, early data shows that Transurban's investment in roads has lifted GDP levels in Australia by a total of almost \$6 billion since 1996. That is the value SGS puts on the economic activity in construction and the productivity enhancements delivered by our roads to the economies of Sydney and Melbourne. The \$6 billion does not include the value to customers of the time they save by travelling on our roads. Our traffic team reports that customers saved a total of 12 million hours in FY05.

Despite the economic benefits, many people are unconvinced about our industry. The PPP debate has simmered for a number of years, but reached boiling point in Sydney over some aspects of the Cross City Motorway. (Transurban is not involved in this project.)

To work for investors, toll roads must meet their financial and contractual commitments over long concession periods. However, the community will judge success on service delivery and social and environmental sustainability. Balancing investor, customer and community expectations is the challenge that Transurban and the rest of the private toll road industry faces.

It is in Australia's national interest that we do, because without private investment, Australia will be unable to meet the demand for new roads and deliver the social and economic benefits they offer.

SGS has looked at Australia's infrastructure backlog and likely future demand. It estimates that government spending on economic and social infrastructure would need to increase by about \$14 billion per annum for each and every year between now and 2020 to wipe out the backlog and keep pace with demand. That represents an approximate doubling of current public infrastructure spending each and every year. This is also the case internationally—in the US the cost of ongoing under-investment is US\$200 billion a year in congestion.

The need for new infrastructure is one of the reasons some state governments in Australia have begun to increase public debt. However, the sheer size of the infrastructure challenge governments face dictates the need for private sector funding.

In Transurban's view, the debate is not whether PPP road projects are justified. The debate is about how PPPs can be structured to deliver maximum community benefit balanced by acceptable investor risk. Issues associated with some individual projects should not undermine confidence in the PPP concept.

The full SGS report will be available at www.transurban.com.au in late 2006.

Climate change

Modern urban lifestyles in the cities Transurban serves depend on efficient road systems and private motor vehicles. There are millions of such vehicles around the world and they produce a significant proportion of the greenhouse gas emissions responsible for global warming.

Transurban is taking action to reduce the direct greenhouse gas emissions it produces (see page 27). However, we are still considering what we can do about the far greater volumes of our customer emissions—the greenhouse gases produced as vehicles drive on our roads.

Vehicles travelling on toll roads where there are no cash toll booths produce lower volumes of greenhouse gases than they would to complete the same journey on alternative routes where congestion and traffic lights create stop/start traffic conditions.

In Melbourne, Transurban commissioned Blueshift Consulting and WSP Environmental Pty Ltd to conduct a Climate Change Risks and Opportunities Study. The Study used United Kingdom (UK) data to compare greenhouse gas emissions by vehicles using the Southern Link section of CityLink with vehicles using two alternative routes. In September 2005, they reported that traffic using CityLink was likely to produce between 8 per cent and 28 per cent less carbon dioxide emissions. See page 29 for more details. Their report on Climate Change Risks and Opportunities can be found at www.transurban.com.au.

However, there is no doubt that free flow roads induce demand. The time savings they offer lead to more trips and therefore more greenhouse gases. In Australia, governments use toll road concessions to bring forward the development of roads that they have already decided to build to meet community requirements. The roads are financed by tolls rather than from government revenues or public debt.

Clearly, governments are best placed to decide on transport policies, balancing economic development and community amenity issues with environmental, greenhouse and social impacts. Transurban will continue to consider involvement in new toll road projects that governments decide should proceed. However, we believe road pricing and electronic tolling have a bigger role to play than funding additional network capacity.

In a submission in December 2005 to the Victorian Competition and Efficiency Commission (VCEC) enquiry into Managing Transport Congestion, Transurban said:

'The time has come for community debate on whether we should now use road pricing to manage demand, by encouraging people to:

- make more trips out of peak periods to 'spread' the demand and better utilise existing infrastructure, which is designed for peak demand and is relatively under-used outside of these peak periods
- make fewer trips, and
- make more of their trips by public transport.'

You can view the submission at www.vcec.vic.gov.au

Transurban recognises that community needs and priorities will change over the decades of a toll road concession. There have been 22 amendments to the CityLink Concession Deed since it was signed on 20 October 1995. We told VCEC we would be willing to work with the Victorian Government to introduce lower off-peak tolls on CityLink. However, to achieve this we would have to protect the interests of our investors. Lower off-peak tolls would have to be balanced by higher tolls during the peaks.

Transurban believes that modern cities require integrated transport infrastructure in which public transport and roads both have their place. This is something we need to communicate about better with our stakeholders.



In 2004, the Australian Conservation Foundation (ACF) approached Transurban about our possible involvement in the Climate Change Business Leaders Roundtable. This group brought together ACF and a number of businesses with an interest in climate change issues—BP, Insurance Australia Group, Origin Energy, Swiss Re, Visy Industries and Westpac. In August of that year, the ACF's Executive Director, Mr Don Henry, wrote to Transurban saying we would not be a project partner on the roundtable. This was because of what the ACF saw as restrictions on the future development of public transport services due to Transurban's CityLink Concession Deed with the Victorian Government.

Under the CityLink Concession Deed, the Government is free to build any public transport infrastructure and deliver any new services it wishes. The Concession Deed also gives Transurban the right to seek compensation if it can demonstrate a material adverse effect on CityLink revenues. In August 2006, in a meeting with the Victorian Minister for Transport, Mr Peter Batchelor, Transurban asked if the Government had ever decided against a public transport initiative

because it feared a claim under the CityLink contract. His answer was no—the CityLink contract was not a factor in deciding public transport policy.

The point that Transurban needs to communicate better to stakeholders such as the ACF is that we want to be part of the debate on, and response to, climate change. We can do that while still protecting the interests of our investors. For example, if the Victorian Government reduced CityLink revenues by introducing new, free public transport services to reduce greenhouse gas emissions, we could negotiate to extend the CityLink concession beyond its current end in 2034 instead of seeking a financial payment by the State.

ABOUT TRANSURBAN



^ Westlink M7's Light Horse Interchange was named, at the request of the Returned Soldiers League, in honour of the mounted regiments from NSW and other States that fought at Gallipoli and in the famous charge of Beersheba. During World War II, the lighthorsemen were based at a major training camp close to the site of the Light Horse Interchange.

Our company

Transurban is a public company which was listed on the Australian Stock Exchange (ASX) in 1996. As at 30 June 2006, Transurban was listed in the Top 50 ASX companies and had market capitalisation of \$6 billion.

Our vision is to be a world leader in the development, management and ownership of electronic toll roads. We aim to deliver superior security holder returns by creating innovative transport solutions for people and businesses.

We have more than 10 years experience in the development, ownership and management of complex toll road infrastructure, and own or have a shareholding in three of Australia's most important toll road assets and a toll road in the US state of Virginia. We are well positioned to pursue a number of key projects—such as HOT lanes (see Case Study 14 on page 40)—in the US. We also have emerging interests in the UK.

Transurban's head office is in Melbourne, Australia, with other Australian offices in Sydney and Brisbane. In the US we have offices in New York, Washington and Virginia. We also have an office in London in the UK. As of 30 June 2006, we had a worldwide workforce of 706 people*.

Transurban was originally formed to own and operate CityLink, a toll road in Melbourne. Since then we have acquired and developed roads in Sydney, where we manage and own 100 per cent of Hills M2, and have a 47.5 per cent equity stake in, and are the tolling and customer service operator of, Westlink M7. We are also the preferred provider of tolling products for Sydney's Lane Cove Tunnel, which is scheduled to open in late 2006–early 2007.

In June 2006 we acquired the Pocahontas Parkway in Virginia—our first asset in the US.

* This includes fixed term, casual, temporary and contract employees.

Figure 2.0 - Transurban assets



Transurban owns 47.5 per cent of Westlink M7.

Our structure

Transurban Group consisted, at 30 June 2006, of Transurban Holdings Limited (THL), Transurban Holdings Trust (THT) and Transurban Limited (TL).

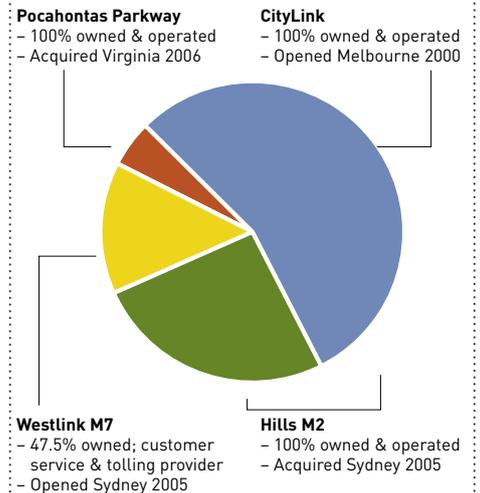
Transurban security holders are issued with triple stapled securities to reflect the company structure.

At the Transurban Annual General Meeting in October 2006, we will propose a restructure to replace Transurban Limited with Transurban International Limited (TIL). Transurban Limited will continue to be part of the Group, but will become a subsidiary of Transurban Holdings Limited.

Our core business

Transurban owns, operates and manages toll roads under long term concessions awarded by governments.

Figure 2.1 - Transurban portfolio





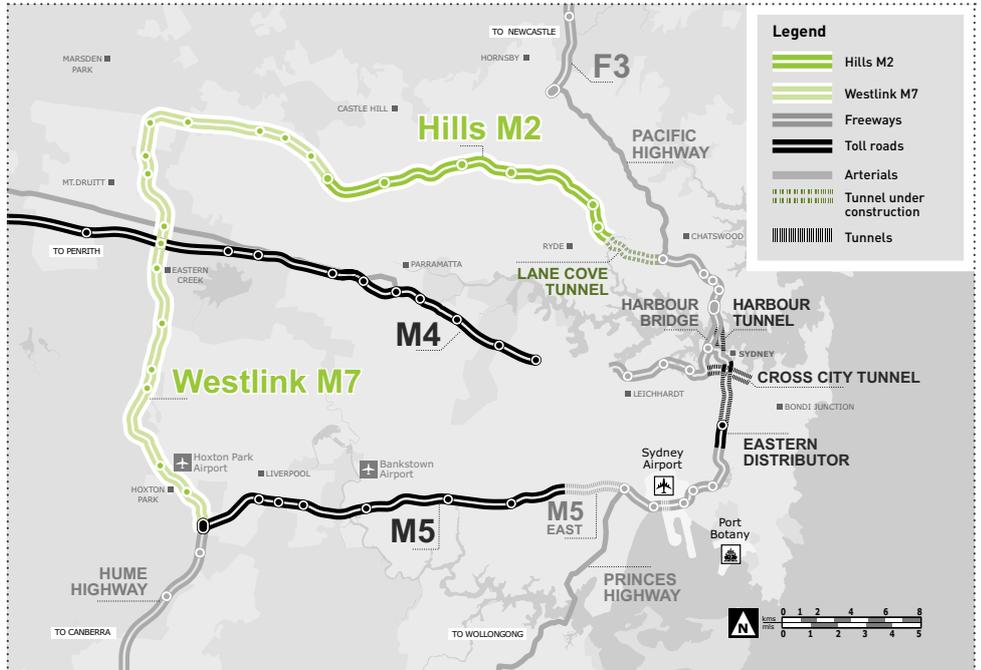
Westlink M7

Westlink M7 is a 40-kilometre/25-mile motorway in Sydney, Australia, that provided the major link in Sydney's orbital motorway network. The road opened in December 2005 and has significantly improved access to western Sydney, saving motorists time and fuel by avoiding up to 48 sets of traffic lights.

Key facts – Westlink M7

- 47.5% Transurban owned; 100% Transurban operated customer service
- Opened to traffic in December 2005
- 100% electronically tolled (Australia's first distance-based fully electronic toll road)
- Tolling system developed and operated by Transurban
- Concession until 2037

For more information visit www.westlinkm7.com.au



Hills M2

Hills M2 is a 21-kilometre/13-mile motorway that links the lower north shore and the northwest regions of Sydney, Australia. Transurban became the full owner of Hills M2 in June 2005 and took over operations and maintenance in May 2006. We have since improved the road and introduced electronically tolled 'express lanes' so motorists with tags do not have to stop to pay tolls with cash.

Key facts – Hills M2

- 100% owned since June 2005
- Opened to traffic in 1997
- Links to Westlink M7 (opened in December 2005) and Lane Cove Tunnel (scheduled to open in late 2006-early 2007)
- Currently tolled with a combination of electronic and cash tolling
- Express electronic tolling lanes introduced in January 2006
- Concession until 2042

For more information visit www.hillsm2.com.au

CityLink

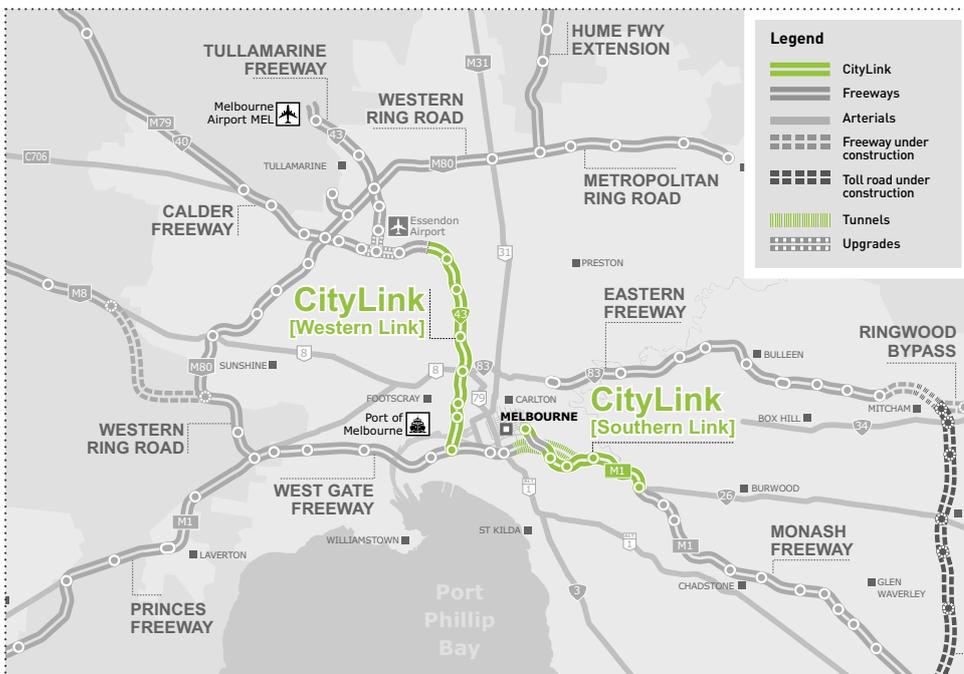
CityLink is a 22-kilometre/14-mile motorway in Melbourne, Australia, that connects three major urban freeways. The road fully opened in 2000 and has enhanced the road network in Melbourne by significantly reducing travel times and linking manufacturing and industry hubs with the CBD, port and airport.



Key facts – CityLink

- 100% owned and managed by Transurban
- Incorporates two long tunnels, one major bridge and an elevated roadway, plus 17 interchanges
- One of the world's first fully electronic toll roads—customers do not have to slow down for cash booths
- Fully opened to traffic in January 2000
- Concession until 2034

For more information visit www.citylink.com.au



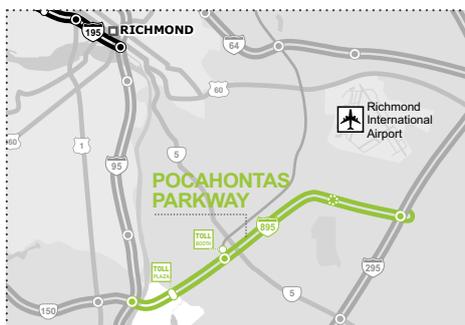
Pocahontas Parkway (Route 895)

The Pocahontas Parkway is Transurban's first toll road acquisition in the US. The 14-kilometre/9-mile Parkway is located in Richmond, Virginia—less than two hours south of Washington DC.

Key facts – Pocahontas Parkway

- 100% owned and managed by Transurban
- Links Interstates 95 and 295 to create a southern bypass of Richmond
- Provides the only crossing of the James River for 10 kilometres/6 miles in either direction and facilitates access to Richmond International Airport
- Concession until 2105

For more information visit www.pocahontasparkway.com



Our values

Employees at Transurban work in 12 different workplaces in three continents. We promote a Transurban corporate culture based on a common set of values across all our businesses.

Our strategic priorities

In FY07 we will focus on the following priorities:

- maintaining our position as Australia's pre-eminent toll road owner and active manager
- reaching financial closure on our second US toll road asset, and
- launching a US investment vehicle.

Transurban values

SOLUTION DRIVEN

seamless
direction setting
successful
customer focused
'go the extra step'

RELATIONSHIP DRIVEN

consultative
responsive
flexible
open
understanding of needs
easy to do business with

SMART

intelligent
clever
creative
leading edge
proactive
innovative

INTEGRITY

respect
equitable
honest
sincere
straightforward
'we do as we say'

Figure 1.0 - Distribution growth

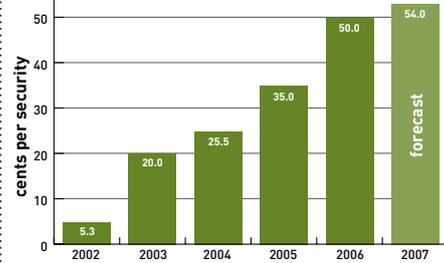


Figure 1.1 - Toll and fee revenue growth

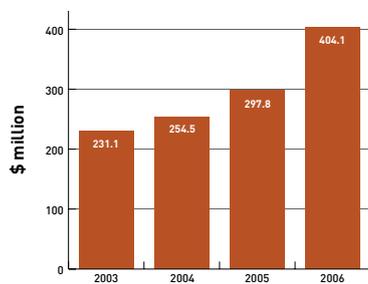
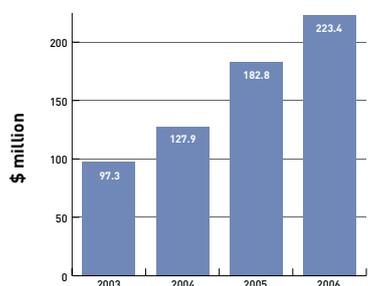


Figure 1.2 - Free cash flow growth



Our financial performance

Transurban has a strong balance sheet with well-managed toll roads delivering predictable, inflation protected cash flows and low debt.

We met our commitment to our shareholders in FY06, delivering total distributions of 50 cents per security—an increase of 43 per cent on the previous year.

In FY06 total toll and fee revenues were \$404.1 million, up from \$297.8 million, an increase of 35.7 per cent. We recorded a 22.2 per cent increase in free cash flow. The figure was \$223.4 million, up from \$182.8 million in FY05.

At the same time, we maintained our credit ratings on our senior debt—A- from Standard & Poor's, A- from Fitch and A3 from Moody's.

Transurban's 2006 Annual Report contains full details of our financial performance. This is available at www.transurban.com.au



Corporate Governance

A detailed account of Transurban’s corporate governance structure can be found in the 2006 Annual Report at www.transurban.com.au

The corporate governance framework reflects the Principles and Best Practice Recommendations of the Corporate Governance Council of the Australian Stock Exchange. The framework’s adherence to the Principles and Best Practice Recommendations is reported in the 2006 Annual Report.

The relationship between the Board and management is critical to the achievement of our objectives. The directors are responsible to the security holders for our performance and their key tasks are to enhance the interests of the security holders and other key stakeholders and to ensure that Transurban is properly managed.

Day-to-day management of Transurban’s affairs and the implementation of strategic and policy decisions made by the Board have been formally delegated to the Managing Director and senior executives. These delegations are reviewed regularly.

The Board and management continue to monitor developments in this important area to ensure best practice standards are maintained.

More information can be found in the Corporate Governance section of the Transurban website. The following material is available:

- Board Charter
- Nomination and Remuneration Committee Charter
- Audit Committee Charter
- Remuneration Policy
- Code of Conduct
- Dealing in Securities Policy
- Continuous Disclosure Policy
- Security Holder Communication Strategy
- Risk Management Policy
- Risk Committee Charter, and
- Corporate Social Responsibility (CSR) Committee Charter.

MANAGING RESPONSIBLY OUR ROAD TO CSR



^ CityLink electronic toll gantry

Our commitment to CSR

Transurban has always been committed to meeting its regulatory and contractual commitments. However, we recognise that our responsibilities to the communities we serve go beyond that.

In 2003, our company growth led to a debate on how we could best develop and implement a consistent approach to CSR across all our toll roads and businesses, whatever part of the world they are in.

In that year, we set up a CSR Committee. Although it advised and reported to the Board, it was not a formal Board Committee. That changed in 2006.

Two Transurban directors now sit on the Committee, one of whom chairs it. Three independent specialist advisors, as well as management and employee representatives, make up the rest of the Committee which meets four times a year. The Committee's role is to guide and oversee the development and implementation of CSR programs and advise the Board which has ultimate responsibility. The Committee Charter can be found under the Corporate Governance section of Transurban's website. Visit www.transurban.com.au

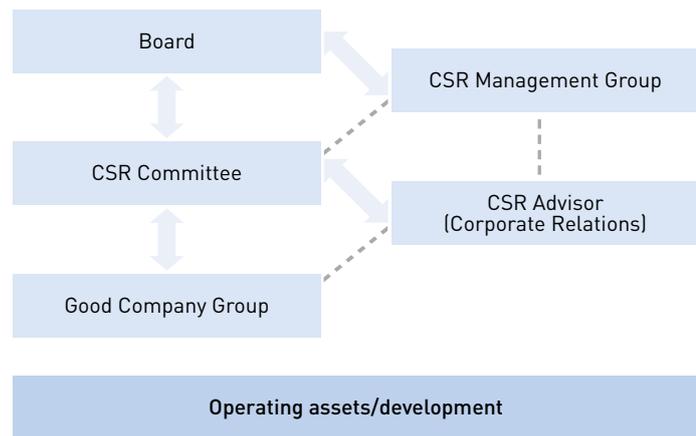
In addition to the CSR Committee, we also have a CSR Management Group chaired by the Managing Director, which meets as required to monitor the implementation of our CSR programs. The CSR Committee and the CSR Management Group are serviced by a specialist full time CSR Advisor.

The Good Company Group is an employee group that works with management on the development of new programs and helps implement them within the business. The two sub-committees of the Good Company Group are Sustainability and Community Outreach (see page 21 for more details).

CSR Committee members

Susan Oliver (Chair)	Transurban Board independent director
Bruce Anderson	Head of Operations, CityLink
Brendan Bourke	Group General Manager Operations/CEO CityLink
Chris Brant	Chief Finance Officer
David Cardiff	Manager, Organisational Capability
Jan Cochrane-Harry	External Advisor
Lisa Hunt	General Manager, New South Wales and Queensland
Mark Licciardo	Company Secretary
Zoltan Maklary	Head, Infrastructure Management & Services
John Mant	External Advisor
Chris Renwick	Transurban Board independent director
Mike Roberts	General Manager, Corporate Relations & Strategic Marketing
Chris Ryan	External Advisor

CSR Governance



ENGAGING WITH OUR STAKEHOLDERS



^ The Burnley Climbing Wall, located near CityLink in Melbourne, provides an important piece of community infrastructure and is used as a practise wall by climbing enthusiasts and the general public.

Engaging with our stakeholders

Our ability to deliver positive social and environmental outcomes has to be based on high quality stakeholder relationships.

In FY06 we contracted the Australian Centre for Corporate Social Responsibility (ACCSR) to conduct a Stakeholder 360™ engagement process with our NSW and Victorian stakeholders, to help us understand the issues that matter to them. The aim was to inform development of our Community Relations Framework and this report.

ACCSR conducted 79 in-depth stakeholder interviews and two external stakeholder meetings with the following groups who influence, or are influenced by, our business:

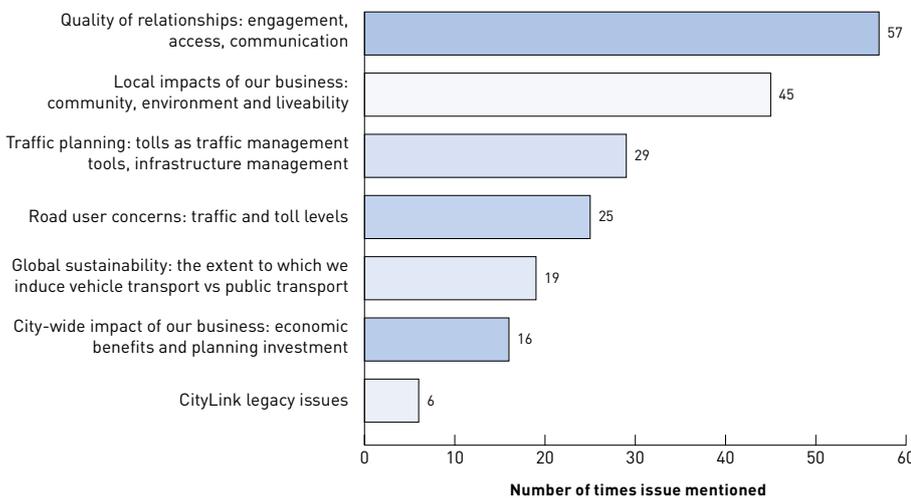
- industry, unions and investors
- municipal councils
- Federal and State Government
- charities, community and non-government organisations
- transportation and road user interest groups
- strategy and environment forums
- regulators, and
- media.

ACCSR researchers concluded that the GRI reporting format used in this report would cover most issues raised by stakeholders. Other issues not directly covered by GRI indicators were noise (see page 31), traffic flows (see page 55) and congestion, and the Late Toll payment system introduced on CityLink in Melbourne in FY06 (see page 42). Stakeholders also raised the issues of the socio-economic impact of tollways and volunteering. We will address these in future reports.

ACCSR found that 75 per cent of Transurban's stakeholders agreed or strongly agreed that they were satisfied with their relationship with us. One third believed the relationship was improving. About half the stakeholders thought we had a good reputation.

Stakeholders were asked to identify the most important issues in their relationship with us. Their answers were analysed and grouped into seven major categories (see Figure 3.0 below). The most mentioned issue was the quality of the relationship itself, followed by community, environment and liveability issues. This included concerns about traffic congestion, air quality and other localised environmental impacts.

Figure 3.0 - Key issues identified by Stakeholder 360



See Stakeholder 360™ chart on page 54 for a breakdown of stakeholder responses.

Stakeholder 360™ is a trade mark of the Australian Centre for Corporate Social Responsibility

Case Study 1

Learning to listen

Over a number of years, climbing enthusiasts in Melbourne installed 'holds' in concrete supports underneath an elevated section of CityLink next to the Yarra River in Melbourne.

The area became known as the Burnley Wall, attracting people who wanted to practice climbing on surfaces rising at angles of less than 90 degrees to the ground. It was a popular training spot until 2003 when lawyers advised Transurban that the wall was a public liability risk—climbers who injured themselves could have sued Transurban.

At that point, Transurban acted quickly, removing the climbing holds without consultation. That was a mistake, and the climbers protested loudly.

The Victorian Government agency, Parks Victoria, approached Transurban with a solution. It agreed to take on the public liability risk in return for Transurban sponsoring the development of a new, better climbing facility with three different walls.

More than 130 volunteers from the Victorian Climbing Club (VCC) helped complete the walls over four months and the facility opened in June 2006.

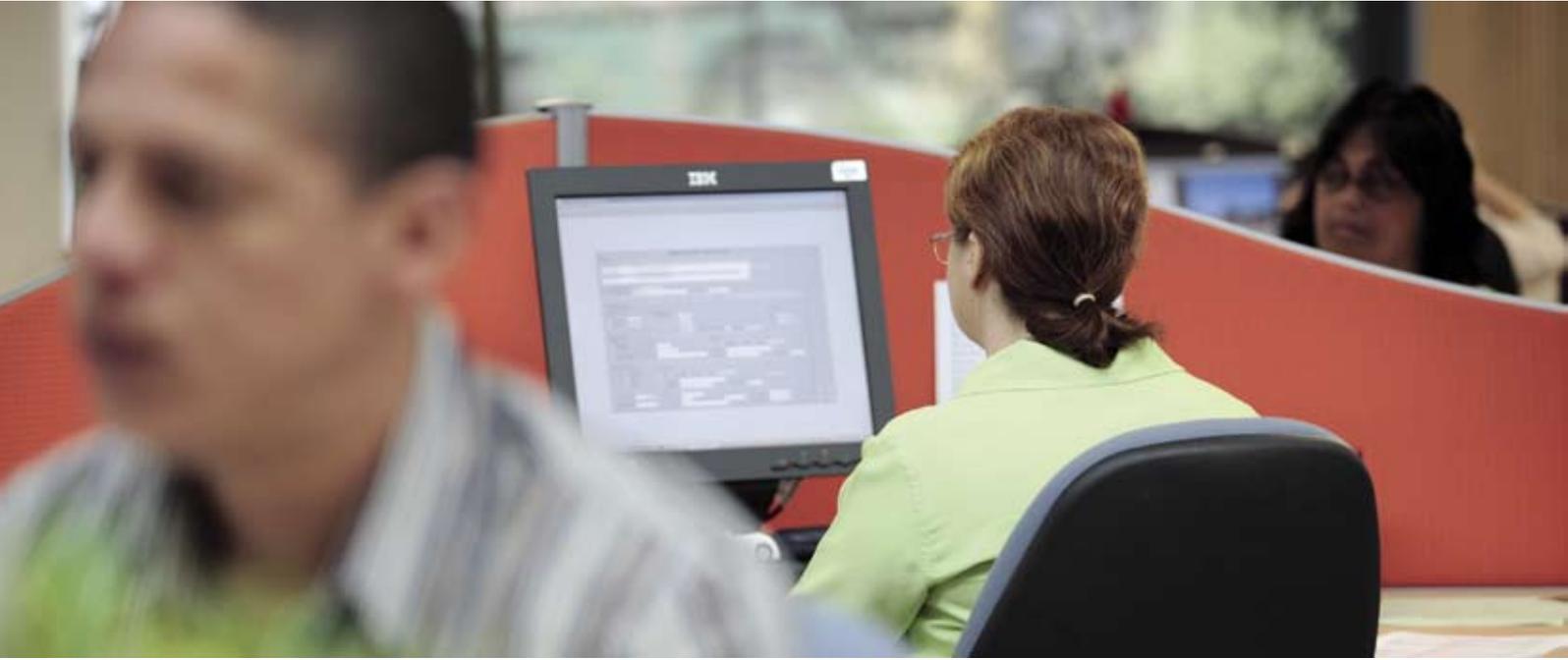
The project was recognised in the autumn 2006 issue of Rock climbing magazine.

'On behalf of the climbing community, I would like to formally thank Parks Victoria and Transurban, manager of CityLink, for their incredible support on this project.'

Jacqui Middleton, Burnley Project Co-ordinator, VCC

(reproduced with permission)

PROVIDING OPPORTUNITIES FOR EMPLOYEES



^ Roam employees are located at our Eastern Creek offices in Western Sydney.

Providing opportunities for employees

Transurban's businesses depend on motivated, skilled employees to manage existing assets and develop or acquire new ones. We have a number of programs in place to attract and retain our people. We aim to provide a supportive and challenging work environment, with opportunities for employees to fully develop and use their personal and professional skills.

Workforce profile

On 30 June 2006, we had 561 permanent and 145 contract/temporary employees across three countries. Our workforce is almost evenly divided between men and women. Figures 4.0, 4.1 and 4.2 provide a snapshot.

In FY06, total permanent employee turnover fell by 3 per cent from 17 per cent to 14 per cent, notwithstanding an increase in the size of the total permanent workforce.

A detailed breakdown of our workforce profile is contained in the tables on page 52.

Figure 4.0 – Total workforce by business unit (GRI LA1)

Workforce*	2005–06		2004–05		2003–04	
Total	706		479		435	
CityLink	232	32.86%	262	54.70%	269	61.84%
Westlink M7	113	16.01%	19	3.97%	10	2.30%
Hills M2 Motorway	45	6.37%	n/a	n/a	n/a	n/a
US	4	0.57%	2	0.42%	1	0.23%
UK	1	0.14%	1	0.21%	n/a	n/a
IT	135	19.12%	113	23.59%	88	20.23%
Corporate services	176	24.93%	82	17.11%	67	15.40%

* Excluding employees on maternity leave and Board of Directors

Figure 4.1 – Total workforce by employment type (GRI LA1)

Workforce*	2005–06		2004–05		2003–04	
Total	706		479		435	
Permanent full time	477	67.56%	352	73.49%	319	73.33%
Permanent part time	84	11.90%	51	10.65%	53	12.18%
Fixed term full time	17	2.41%	21	4.38%	15	3.45%
Fixed term part time	20	2.83%	14	2.92%	2	0.46%
Casuals	65	9.21%	12	2.50%	26	5.98%
Contractors (external)	37	5.24%	27	5.64%	7	1.61%
Temps (external)	6	0.85%	2	0.42%	13	2.99%

* Excluding employees on maternity leave and Board of Directors

Figure 4.2 – Total workforce by region (GRI LA1)

Workforce*	2005–06		2004–05		2003–04	
Total	706		479		435	
Victoria	505	71.53%	457	95.41%	421	96.78%
New South Wales	188	26.63%	18	3.76%	12	2.76%
Brisbane	2	0.28%	1	0.21%	1	0.23%
UK	1	0.14%	1	0.21%	n/a	n/a
US	10	1.42%	2	0.42%	1	0.23%

* Excluding employees on maternity leave and Board of Directors





^ Photo courtesy of Very Special Kids.

Case Study 2

TransGiving—helping the community

Transurban and its employees raised more than \$75,000 for charities through our workplace giving program TransGiving in FY06. This figure is made up of \$37,815 in employee contributions plus \$37,815 in matched donations from Transurban.

The program was set up as a result of an employee survey. More than 80 per cent of those surveyed expressed an interest in making regular contributions to charity via a workplace giving program.

Employees chose the charities—the Peter MacCallum Cancer Centre in Melbourne, The Smith Family, Very Special Kids and the World Wildlife Fund (WWF)—through a nomination process. Another charity from NSW will be added in FY07.

There was a TransGiving launch at every Transurban workplace in Australia in August 2005. These events were very well attended and 29 per cent of employees joined the program.

'TransGiving was the best workplace giving launch I have ever attended,' said Rebecca Shiel from WWF. 'The interest and the depth of knowledge Transurban staff have on environmental issues is overwhelming. Transurban has definitely set a new benchmark for workplace giving programs.'

'Transurban has definitely set a new benchmark for workplace giving programs.'

Rebecca Shiel, WWF

Employee feedback

Transurban conducts Employee Opinion Surveys (EOS) every two years because we think it is important to continue improving the way we do things.

We carried out our last survey in October 2005 and achieved a response rate of 61 per cent. Employees returned an 83 per cent overall satisfaction rating when asked how satisfied they were with our company as a place to work. This was up from 70 per cent from the previous results.

While we think that these results are excellent, employees have told us that there are still some areas where we can improve and we have structured new and existing initiatives to address these.

We also seek feedback from new employees three months after they complete induction. New employees are asked to make suggestions about what we could do to improve in areas such as systems, culture and communication. Feedback is passed on to the relevant department for action.

Learning and development

Transurban has a formal Performance Planning and Review process aimed at maximising employee potential and recognising and rewarding success. All employees participated in performance reviews during the year.

We have a well-developed learning program designed to support future growth, increase organisational capability and cater for current operational learning needs. Our learning program is made up of internal and external courses, study leave support, developmental training, professional qualification updates, technical training and conference attendance.

We provide four core learning pathways that are specific to Transurban and available to all employees, from entry level through to senior management. They are:

- leadership skills
- financial skills
- commercial skills, and
- project management.

The number of employees participating in learning programs has increased by 40 per cent in FY06. This is attributed to the increase in employee numbers and the launch of new learning initiatives. Employees received an average of 18.77 hours of training in FY06. We spent an average of 1.8 per cent of remuneration on learning and development.

Work/life balance

Our Health and Wellbeing Program aims to encourage employee health and the promotion of work/life balance. The Program for FY06 included:

- Health and Wellbeing Expo including health checks, relaxation massage and health advice
- free flu vaccinations
- company-sponsored sporting activities such as corporate triathlons and Corporate Games, and
- a meditation room at our St Kilda Road Office in Melbourne.

We strive to provide a family-friendly work environment, and this includes paid parental leave and a confidential counselling service for employees and their families. During the past 12 months the counselling service was used by 15 employees.

Figure 4.3 - Key feedback from 2005 Employee Opinion Survey

What employees told us	Action in response
There needs to be greater contact between employees and senior management	A Leadership Breakfast program is planned for FY07 for senior managers to host informal breakfasts with groups of employees from across the business. We conducted an employee roadshow in August 2006 to keep employees up to date with company information. We are also preparing a Transurban Leadership model, to be launched towards the end of 2006, to help current and emerging leaders understand our expectations of them.
The company needs to improve communications with staff about current customer service standards and results.	CityLink's Customer First initiative (see page 44) is now well underway. In FY06, employees took part in Customer First Workshops, exploring ways to prove the internal message that 'doing business with us is easy'.

Employee benefits

Transurban encourages, recognises and rewards employees by offering a comprehensive package of benefits. The offer of ShareLink—a program that encourages employees to become security holders—has resulted in 98 per cent of permanent Australian-based employees owning shares in Transurban. Other important benefits are free employee insurance, including salary continuance and a death and disablement plan or health plan for all permanent staff. See Figure 4.4 below.

**Employee participation—
Good Company Group**

All employees have the opportunity to become involved in CSR through the Good Company Group.

Employees have told us that they want to be proud of the company they work for and feel confident that it acts as a ‘good corporate citizen’.

The Good Company Group was set up in recognition of this and is made up of employees from across the business. Members nominate themselves.

The Good Company Group provides advice to the company about programs

relating to CSR and implements internally-focused CSR programs.

During FY06, the Good Company Group led and implemented the following initiatives:

- TransGiving—our workplace giving program (see page 19)
- TravelSmart—our employee sustainable travel program (see opposite), and
- GreenPC—a PC refurbishment program (see page 29).

The Good Company Group is made up of two sub-committees—the Community Outreach Committee and the Sustainability Committee. Each committee meets monthly and has around 10 members.

Equity

Transurban is an equal opportunity employer and has adopted practices to ensure equal opportunities are given to all employees in line with current legislation and company values.

The company upholds the right of every employee to be treated fairly and without bias. Managers are responsible for promoting equal opportunity principles in all employment decisions and for ensuring the company does not discriminate against any individual or group of people.

Each employee is responsible for acting in a manner that supports a fair and equitable work environment. During the past year there were no reported incidents of discrimination (see page 52).

Figure 4.4 - Employee benefits (GRI LA3)

Benefit	Permanent full-time/part-time employees
Annual performance bonus	✓
Employee share ownership scheme (Australia)	✓
Superannuation scheme	✓
Death & disability insurance (Australia)/Health Plan (US)	✓
Maternity and/or paternity leave	✓
Employee assistance program	✓
Health and wellbeing program	✓
Learning and development program	✓
Discounted public transport scheme (Australia)	✓

Good Company Group Charter

- Raise awareness of Transurban’s CSR program and commitments.
- Provide ideas and feedback to the CSR Management Group and CSR Committee.
- Help drive internal CSR initiatives and encourage other employees to get involved.



Case Study 3

TravelSmart—encouraging sustainable commuting

The TravelSmart program is an employee-led initiative to encourage sustainable commuting.

The program provides information, programs and facilities that support a range of sustainable travel options including walking, cycling, public transport and carpooling.

Information is posted on Transurban's intranet site and includes travelling tips, maps, planning tips, health and safety advice and online sign-up options for cyclists and walkers and a carpool register for drivers.

Specific Australian initiatives include a public transport ticket purchasing scheme and a subsidised Greenfleet subscription for drivers to offset their vehicle emissions (see Case Study 11 on page 37 for more details on Greenfleet).

Walkers and cyclists receive pedometers, cycling odometers, sports towels and water bottles. As part of the program we realised we had inadequate

shower facilities at the St Kilda Road office in Melbourne. As a result there will be more showers allocated when employees move to our new offices in Melbourne's CBD in October 2006.

There was a 30 per cent take up rate within the first two months of the TravelSmart program, and employees have told us that as well as helping the environment, the program is a welcome reminder of the health and other associated benefits of sustainable travel.

'My 25 minute walk to work doesn't only save time by avoiding the Sydney traffic, it saves money as well as being a great stress management tool. I mostly enjoy the parks and water along the way—cooling down is the hard part,' said Julia Brown, Business Development Coordinator from Sydney.

Some of our employees have also found ways to ensure a better work/life balance through TravelSmart.

'By riding to work I use travel time as sport time, leaving me more quality time during the week,' said Stuart Webb, Systems Architect from Melbourne.

TravelSmart is an initiative of our Good Company Group which is a committee of representatives from across the business that represents employee issues and ideas.

Employees don't just see the program as a way to help the environment, but also a reminder of the health and associated benefits that can be gained from choosing sustainable transport.

**Employee responsibility—
Code of Conduct**

Our Code of Conduct sets out the company's expectations of employees in relation to business practices including:

- behaviour towards fellow employees, customers, suppliers and other business partners
- ethical practices, and
- recognition of stakeholder interests.

All Transurban employees are covered by the Code of Conduct.

Any suggestion or allegation of impropriety or breach of the Code will be acknowledged and dealt with in accordance with our Performance Management Procedure.

If a suggestion or allegation is verified, possible outcomes include official warnings, and in some cases termination of employment. The company has adopted a zero tolerance policy towards breaches of our Code of Conduct and will escalate issues to external agencies, such as the police, where this is warranted.

In FY06 breaches of the Code of Conduct were related to employee behaviours and the misuse of company property.

Managing grievances

We have a number of initiatives in place to help address employee grievances. See Figure 4.6 for more details.

Occupational Health and Safety Strategy

We have an ongoing commitment to provide a safe working environment for all, as outlined in our Occupational Health and Safety (OHS) Policy.

This extends to contractors, service providers and visitors. We are committed to the continuous improvement of health and safety performance with the goal of preventing injuries and accidents.

An online Health and Safety Fundamentals education program was completed by 98 per cent of employees in FY06.

Managing growth and change

Transurban is experiencing strong growth which inevitably leads to changes that affect employees. How this change is managed is important to our continued success. Employees are fully supported through changes such as location closures, relocations, restructures and redundancies. (See Case Study opposite for an example of how we managed a

major change within CityLink operations in FY06.)

Talent—a priority theme for FY07

We have identified the following 2006–07 program to help our employees meet future company needs.

- Transurban leadership program—we will implement a leadership development program to ensure that we have the right people with the right skills to effectively manage and build our expanding business.
- Succession planning—we will continue to identify high potential employees and critical positions and provide targeted training and opportunities for them.
- Globalising induction—we will broaden our current induction program to make it portable, so that it can be delivered in New York or Brisbane as easily as it is currently delivered in Melbourne and Sydney.
- Culture and values—we will further develop our employee values program through induction, recruitment and selection, and learning and development and continue to seek employee feedback to check that we are 'living the values'.
- Human resources and CSR—we will continue to use a CSR framework to help us meet globally acceptable work practices including safe and sustainable employment practices.
- Tolling Essentials course—we will introduce a 'tolling essentials' program to ensure new employees learn the basics of the tolling business.

Figure 4.5 - Code of Conduct

Total workforce	2005-06	2004-05	2003-04
Breaches of Code of Conduct (no. of incidents)	7	15	8

Code of Conduct statistics are monitored on any alleged breach to identify any trends and to help target our education and information to employees.

Figure 4.7 - Occupational Health and Safety [GRI LA7]

Total workforce	2005-06	2004-05	2003-04
Lost time injury occurrence incident rate*	0.18	1.64	n/a
Fatalities	0	0	0

* Lost Time Occurrence Incidence Rate is the number of lost time injuries and diseases for each 100 workers employed. The formula used is: number of LTI&Ds/number of workers x 100.

Figure 4.6 Employee grievance initiatives (GRI HR8)

Whistleblower facility within Code of Conduct	✓
Workplace grievance procedure	✓
HR department for resolving complaints	✓
Employment policies readily available	✓
Independent employee and family assistance	✓
Employee career development process	✓

Case Study 4

CityLink Customer Service Centre closure

Transurban closed CityLink's Bulla Road Customer Service Centre in Melbourne in November 2005 due to changing customer habits.

It was important that our employees at Bulla Road were given as many options as possible as a result of the closure. All 11 employees affected by the closure were offered redeployment, as well as external professional support in seeking new roles. Eight employees opted for voluntary redundancies.

Phyliss Fawcus has worked for CityLink since 1999 and was a supervisor in the centre when the closure was announced.

'The day that the Bulla Road staff were advised of the closure, to me it was a relief as all uncertainties that we had in the past were going to be answered,' Phyliss said.

'My concern was for staff—they took it hard. Even though they still had their jobs it was hard to comprehend why this had to happen. We thought the centre was busy enough to remain operational but when Brendan Bourke, CityLink CEO, explained the statistics to us we understood what was happening.

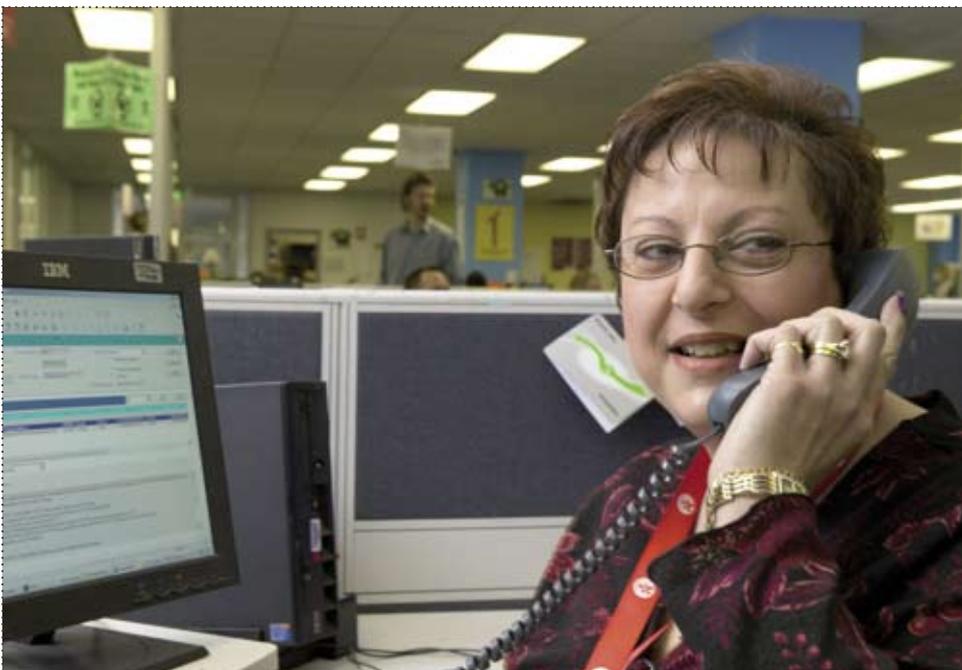
'My decision to stay with CityLink was an easy choice even though I was not sure which department I was to be redeployed to. I am now with the Customer Care Resolve Team, who were brilliant as they showed me empathy and made me feel more than welcome when I came on board.'

Senior Human Resources Consultant Louise McDougall worked alongside the employees to help them through the transition.

'As soon as the decision was made we provided help to ensure that the team had as much information as it needed. We were as up front and open as possible with regular visits from Human Resources and senior management to ensure that everyone understood what was happening,' said Louise.

'We thought the centre was busy enough to remain operational but when Brendan Bourke, CityLink CEO, explained the statistics to us we understood what was happening.'

Phyliss Fawcus, Customer Care Resolve Team, CityLink



MANAGING OUR ENVIRONMENTAL IMPACTS



^ Transurban planted around 6,000 trees in FY06 as part of its CSR program. See page 37 for more details.

Assessing our environmental impacts

We place great emphasis on our responsibility to protect the environment surrounding our roads.

Transurban's toll roads are subject to government regulation on their environmental impacts. See page 56 for details.

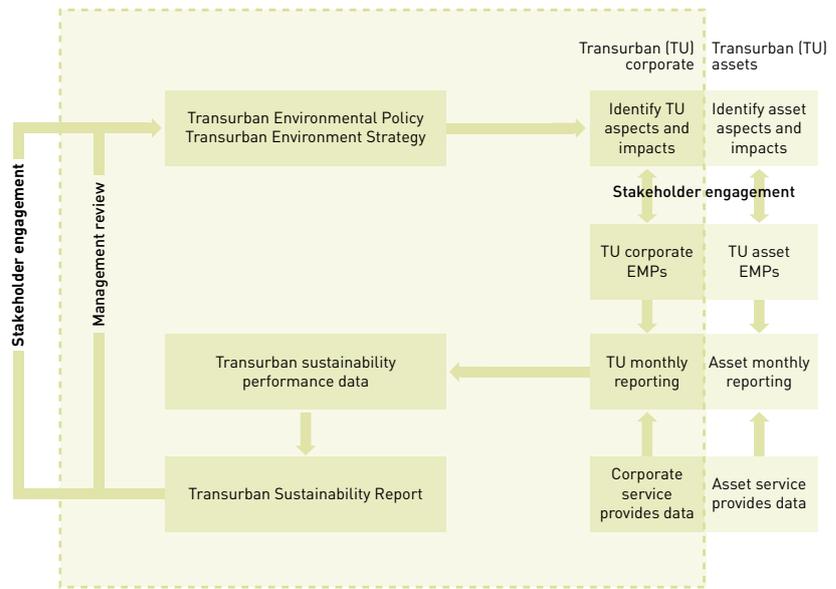
In 2004, Deni Greene Consulting Services completed an environmental review of CityLink. It found that we had 'appeared to successfully address the most significant and visible environmental issues associated with the direct effects of CityLink on the community—stack emissions and groundwater recharge'. It also highlighted some areas for improvement:

- the need for a company-wide Environmental Management System
- the wider issue of the increase in car travel and the associated customer emissions, and
- environmental control over our supply chain management.

Following on from this study, Transurban developed an Environment Strategy in 2005. It included our environmental principles and identified priority initiatives to improve environmental performance and reduce impacts.

We have also commissioned an environmental review of Hills M2 in Sydney which is due for completion at the end of 2006.

Environmental Management System



Environmental Management System

The company is developing an Environmental Management System (EMS) to support the Environment Strategy. It will include processes to allow us to:

- identify, quantify and report environmental emissions
- set targets for the level of environmental emissions
- assure data quality, and
- ensure visibility and accountability of desired environmental management parameters.

The EMS will allow us to track our data more effectively. For example, we currently have no systems in place to track our waste by type and destination. The EMS will give us the tools to do this. The system is still being developed and is scheduled for implementation in stages, starting in early 2007.

Transurban's environmental principles

We develop, own and manage toll roads. In doing that, we value solutions that:

- minimise resource and energy use
- anticipate environmental issues and manage them at the source
- improve the quality of air and water within the community
- provide protection for local habitats
- minimise impacts on ambient noise, visual and social amenity
- meet or go beyond regulatory requirements, and
- provide added environmental value to road projects through features such as parklands, shared pathways and wetlands.

Greenhouse gases and global warming

The transport sector is a major producer of carbon emissions. As community concern about climate change grows, there will be increased scrutiny of vehicle emissions. We believe we have a responsibility to manage our direct emissions. We are considering what we can do to address our customers' emissions.

We have reduced our direct greenhouse gas (GHG) emissions by:

- negotiating power saving clauses in our contracts for CityLink in Melbourne and Hills M2 in Sydney
- improving the efficiency of the ventilation systems in CityLink tunnels to reduce our GHG emissions by 2,500 tonnes a year
- signing up all company vehicles to Greenfleet, a GHG offset program, and
- arranging staff tree planting days.

In 2005, we set a target to reduce direct GHG emissions on our CityLink operations by 5,000 tonnes per annum by 2011.

We also undertook a climate change study to understand our GHG impacts and climate change risks and opportunities for our company. This included some preliminary work that used UK modelling on the greenhouse benefits of free flow traffic. As the study only gives us approximate results, we will investigate the cost and benefits of developing our own in-house modelling systems over the next year.

In 2006, we took part in the Carbon Disclosure Project (CDP4) run by the Investor Group on Climate Change. CDP4 asked companies to complete a

Figure 5.0 - Greenhouse gas emissions¹ (GRI EN17)

CityLink infrastructure assets	Units	2005-2006	2004-2005	2003-2004	2002-2003
Direct (full fuel cycle)	Tonnes -CO ₂ -e	39,529	43,514	45,010	42,948
Scope 1 (fleet vehicles) ²	Tonnes -CO ₂ -e	197	190	176	163
Scope 2 (electricity)	Tonnes -CO ₂ -e	34,808	38,344	39,682	37,870
Scope 3 (fuel & electricity)	Tonnes -CO ₂ -e	4,523	4,890	5,151	4,916

¹Transurban plans to report on the GHG emissions of our other assets in future reports.

²Fleet vehicles includes actual fuel usage for maintenance vehicles and fuel usage estimate from kms travelled for Incident Response vehicles.

Figure 5.1 - Other emissions to the atmosphere^{1,2} (GRI EN19)

CityLink infrastructure assets	Units	2005	2004	2003	2002
NO _x (oxides of nitrogen)	Tonnes	11,791	13,467	14,176	13,734
CO (carbon monoxide)	Tonnes	65,670	77,030	71,686	74,929
PM ₁₀ (fine particles <10 microns)	Tonnes	1,256	1,343	1,370	1,361
PM _{2.5} (fine particles <2.5 microns)	Tonnes	1,008	1,097	1,116	1,127

¹Data in this table are calendar years.

²Data reflects customer emissions from CityLink tunnel ventilation stacks.

questionnaire on their carbon emissions, reduction targets, climate change preparedness and business innovation in a 'carbon constrained' economy. 2006 was the first year in which all Australian and New Zealand companies in the ASX100 and NZ50 were asked to take part. Our response is available at www.cdproject.net

We also commissioned a study to identify feasible renewable energy options for our company. In FY07, we will explore possible initiatives.

We consider our customer GHG emissions to be our most challenging environmental issue. In FY07, we will consider possible initiatives to address these emissions.

Other emissions

The Burnley and Domain tunnels operate under a licence granted by EPA Victoria. This licence requires that air from the ventilation stacks is monitored for emissions from vehicles using the tunnels. The primary pollutants that are monitored are Carbon Monoxide (CO), Oxides of Nitrogen (NO_x), PM₁₀ (fine particles smaller than 10 microns [millionths of a metre] across) and PM_{2.5} (fine particles smaller than 2.5 microns [millionths of a metre] across).

Case Study 5

CSIRO—air quality

CityLink's Domain Tunnel in Melbourne was used in research showing that the global ban on chlorofluorocarbon (CFC) consumption has halted the growth of ozone depleting chemicals and ozone depletion over Australia and Antarctica.

Dr Paul Fraser (pictured below) from the Australian Commonwealth Scientific and Industrial Research Organisation (CSIRO) chose the Domain Tunnel in Melbourne as a research facility because emission samples from vehicles can be easily captured and measured.

Transurban gave Dr Fraser full access to the Domain Tunnel as well as providing Tunnel traffic flow information, ventilation data and safety training for CSIRO staff.

CSIRO's Division of Marine and Atmospheric Research at Aspendale monitored the levels of ozone depleting gases, principally CFCs, as well as their replacement hydrofluorocarbons (HFCs), in the Tunnel from 2003 to 2006.

Dr Fraser's research showed that the amount of CFCs emitted by cars and trucks has fallen significantly over this three year period as HFCs continue to replace CFCs in the air conditioners used in Melbourne's road transport fleet.

This is consistent with actions taken globally that have resulted in CFCs no longer increasing in the atmosphere and global ozone levels no longer

falling, as reported in UNEP's Scientific Assessment of Ozone Depletion in 2006.

This research was funded by CSIRO Marine and Atmospheric Research, the Australian Government Department of Environment and Heritage and Refrigerant Reclaim Australia.

'Environmental problems can be addressed successfully. With ozone depletion, we found a solution that did not reduce our standard of living,' said Dr Fraser.

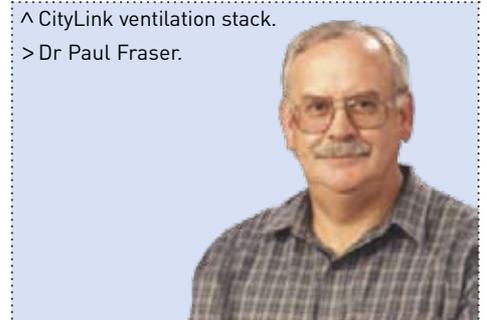
Dr Fraser, through other research at CSIRO, also monitors the greenhouse gases that contribute to another atmospheric problem—global warming—leading to climate change.

'Atmospheric concentrations of carbon dioxide and some other greenhouse gases displayed near record growth rates last year, a clear signal that fossil fuels are having an impact on greenhouse gas concentrations in a way we haven't seen in the past. I am encouraged to think that we can successfully address global warming just as we found a solution to ozone depletion,' said Dr Fraser.



^ CityLink ventilation stack.

> Dr Paul Fraser.



Customer emissions from our roads compared with others

The Climate Change Study (see page 5 for more details) compared carbon dioxide (CO₂) emissions from vehicles using three road traffic route options in Melbourne—one on CityLink and two on arterial roads. The comparison was based on an emissions model developed by the United Kingdom Highways Agency.

A positive difference in Figure 5.2 indicates emissions associated with the route option are greater than that for comparative roads, while a negative change indicates emissions associated with the route option are less than comparative roads.

The findings of this modelling show that annualised carbon dioxide emissions per vehicle trip associated with road traffic using CityLink are likely to be between 8 per cent and 28 per cent less than using Dandenong Road or Nepean Highway, respectively.

Supply chain management

Transurban is moving towards more sustainable purchasing.

As part of the development of an EMS, we will determine standard terms and conditions on environmental best practice in road design, construction and operations to use with new project partners.

We will also integrate environmental and community considerations into negotiations with new contractors or joint venture partners, where there is a business case to do so.

In 2006, we signed up to ECO-Buy, a joint initiative of the Victorian Greenhouse Strategy, Municipal Association of Victoria and Sustainability Victoria. ECO-Buy supports local

governments and businesses in the transition towards developing more sustainable purchasing practices and attitudes. This will be implemented company-wide in FY07.

As a member of ECO-Buy, we agree to:

- develop and adopt a green purchasing policy
- complete an annual action plan
- establish a tracking system to monitor purchasing of green products
- complete an annual green purchasing survey, and
- nominate a staff member to coordinate the development of ECO-Buy.

Figure 5.2 - Relative comparison of route option CO₂ emissions

Route option	Comparison with Nepean Highway	Comparison with Dandenong Road	Comparison with CityLink
Nepean Highway	—	+27.2%	+38.3%
Dandenong Road	-21.4%	—	+8.7%
CityLink	-27.7%	-8.0%	—

Note: This data is taken from the Climate Change Study which is available at www.transurban.com.au

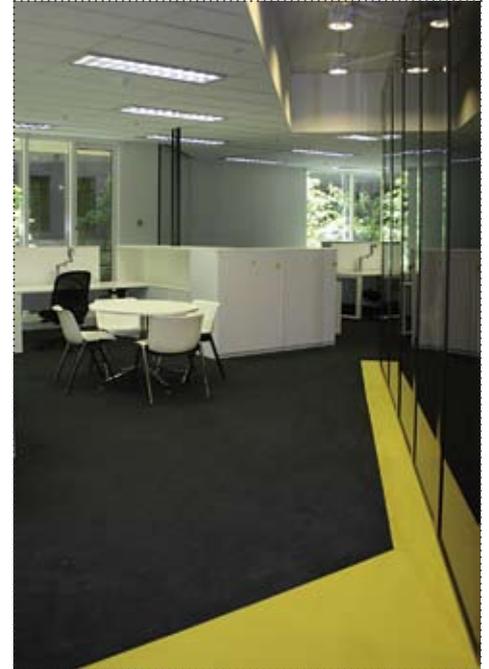


Case Study 6

New life for old PCs

In November 2005 Transurban introduced a program to reclaim and refurbish out-of-date computer equipment for distribution to those who might not usually be able to afford a new computer system. Since November 2005, we have collected approximately 100 computers and monitors, 30 printers and 30 network equipment pieces for reuse.

Our partner, Computerbank, is a non-profit organisation that employs long-term unemployed people providing them with opportunities for future employment in the technology sector.



Case Study 7

Designing a sustainable office space

Transurban specified Environmentally Sustainable Design (ESD) in plans for the interior fit out of new offices in Melbourne.

Most of our Melbourne-based employees will move into the new offices at 505 Little Collins Street in October 2006.

Early in the process we engaged ESD consultants Umow Lai and Associates to help us identify how we could reduce our environmental impacts and reduce ongoing costs. Most tender documents issued to contractors contained ESD specifications.

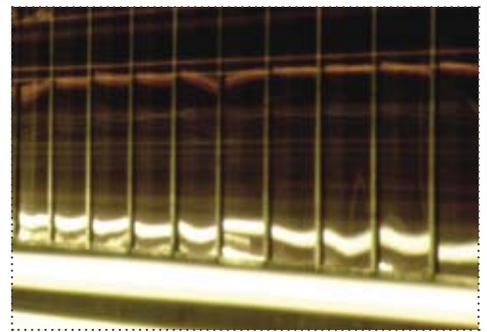
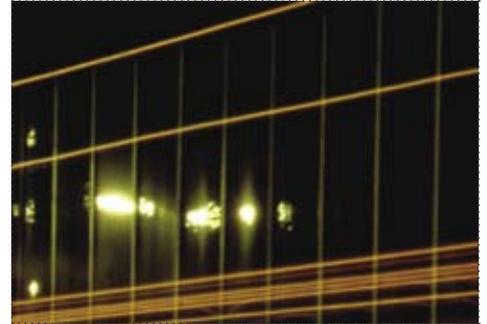
The building's low environmental impact features include double bonded carpet and loose furniture manufactured to the highest ESD standard, low formaldehyde MDF and powder coated workstation materials and low emission paint.

All appliances are rated on the highest level for water and energy saving and meeting rooms have sensor lighting to save energy.

We did not apply for a Green Star Rating for the new offices. To be eligible to apply we would have had to replace the existing lighting system. It did not make sense to us to replace functioning

equipment with new lighting at a cost that would only be recouped after 40 years of energy cost savings, potentially also creating significant wastage through discarding the original fittings.





Noise

Noise from road construction, traffic and maintenance has the potential to impact on surrounding communities.

CityLink

Under the CityLink Concession Deed, CityLink is obliged to take remedial action if traffic noise at abutting developments exceeds 63dB(A) L₁₀.18hr.

To ensure noise levels are kept down, CityLink has an extensive range of noise barriers and uses an open grade road pavement that produces approximately 3 decibel lower noise levels than regular road pavement.

In 2005, a regular and ongoing noise testing program was introduced to test noise levels in more than 20 spots along the roadway.

We also undertake noise modelling to try to predict traffic noise levels into the future. As a result of this, the installation of a number of noise barriers was brought forward in 2005 in order to address noise levels in adjoining areas due to projected traffic growth.

Noise from the engine breaks of heavy vehicles is a major concern to residents living near freeways. CityLink has been assisting VicRoads in the testing of an enforcement system to identify vehicles that are breaching noise standards.

Westlink M7

During the design and construction of Westlink M7 noise impacts were considered and noise reduction strategies were used, including the construction of noise walls and noise mounds and, as with CityLink, the use of open grade road pavement to reduce road noise.

The Westlink M7 Concession Deed specifies that traffic noise levels must not exceed 55dB(A) L_{eq}.15hr during the day and 50dB(A) L_{eq}.9hr at other times. We are conducting an extensive program of noise monitoring in accordance with the NSW Government's Conditions of Approval.

The monitoring is being undertaken by an independent noise consultant who will report on the effectiveness of noise mitigation strategies. Results are expected to be made public in October 2006.

We also made a submission to the National Transport Commission on engine brake noise and offered to participate in a trial of an enforcement strategy.

Hills M2

We have commenced a noise monitoring program similar to the CityLink program. More than 20 sites will be monitored on an annual basis to determine compliance with the requirements of the EPA, which for Hills M2 is 60dB(A) L_{eq}.15hr during the day and 55dB(A) L_{eq}.9hr for other times.

^ CityLink noise walls.

Case Study 8

CityLink reduces water consumption by 95 per cent

Severe water shortages in Australia make water conservation a particularly important issue for communities and businesses.

During the construction of CityLink in 1998 and 1999, up to two million litres of mains water were used every day to maintain groundwater levels and remove the possibility of settlement and cracking in the ground.

However, once road construction was completed, the amount of water required for the operation of the road reduced dramatically. Within two years of construction being completed CityLink was using one million litres of water per day—half the amount of water that was used daily during construction.

But one million litres per day is still a lot of water.

To reduce CityLink’s ongoing water consumption Transurban invested more than \$1.5 million to build a water treatment plant to capture, recycle and clean the water that drains from around the CityLink tunnels. The water is returned to several different aquifers.

The plant has saved more than 750 million litres of Melbourne water in the three years since it began operating in October 2003.

The recycling facility still requires around 26,000 litres of clean water per day for the vital task of cleaning its filters. However, 215 million litres of clean water were required to operate the tunnels in 2003, while just over 10 million litres were used this year. This represents a reduction in consumption of around 95 per cent.

Water withdrawal by source (GRI EN9, GRI EN11)

CityLink	Units	2005–2006	2004–2005	2003–2004	2002–2003
Total water withdrawal ^{EN9}	mega litres	321.6	341.0	357.4	611.3
Groundwater CityLink tunnels	mega litres	311.5	322.6	311.3	396.0
Potable water* (water treatment plant)	mega litres	10.1	18.4	46.1	215.3
Groundwater recycled/reused ^{EN11}	mega litres	214.2	200.9	279.9	120.3
Percentage recycled	-	68%	65%	79%	25%

* Potable water is also used for irrigation of CityLink landscaping, which we will report on next year.



^ e-TAG devices are deconstructed into their component parts and recycled into items such as children's play equipment and outdoor furniture.

Case Study 9

What happens to all the e-TAG® devices?

Transurban pioneered the use of electronic tag technology in Australia for customer billing, so drivers don't have to stop to pay at toll booths.

We did this through the use of e-TAG devices that communicate with our tolling systems. Once the e-TAG device's battery has expired, the tag must be returned and a replacement issued because the battery is hard-wired into the device for functional reliability issues. Of the 1.25 million e-TAG devices issued to customers, 207,000 had been returned for recycling as at June 2006.

With help from service provider Chemsal, returned tags are deconstructed into their component parts and recycled. The plastic casing, comprising the antenna frame and the white and grey outer casing are recycled via an accredited plastics recycling company. The recycled plastic returns to life in the form of children's playground equipment and outdoor furniture, among other things.

The microwave Printed Circuit Board (PCB), piezoelectric buzzer and the antenna are shredded into fine electronic scrap and recycled for metal recovery, and the anti-tamper springs are recycled through a metal recycler.

Currently, the lithium batteries are being processed for export to a lithium recovery and processing facility in France as Australia does not yet have these recycling facilities.

We will work with Chemsal and the Environment Protection Authority Victoria over the next year with the aim of amending Chemsal's license to recycle lithium batteries in Australia.

Biodiversity

We recognise it is our responsibility to manage the biodiversity that may be adversely affected by our operations. Our Environmental Management System (due to be implemented from January 2007) will consider biodiversity issues relating to our assets. Priority areas for 2006–07 will be our 100 per cent owned Australian assets CityLink and Hills M2.

Case Study 10

Westlink M7 and the Cumberland Plain Woodland

The Cumberland Plain Woodland (see photo on page 49) is the name for the native Australian grouping of plants from Sydney's western suburbs.

The Woodland has been listed by the Australian and NSW Governments as an endangered ecological community and only 6 per cent of the original Woodland remains.

Areas of the Woodland have been preserved along Westlink M7, and we have taken a number of actions to help protect the plants, including:

- relocating individual plants of threatened species including *Pimelea Spicata*

- translocating topsoil containing the seeds of threatened species
- training staff in harm minimisation practices around the vegetation
- ongoing monitoring by an ecologist, and
- planting new plants along the motorway corridor.

We encourage our customers to help to protect and preserve the plants of the Cumberland Plain Woodland through information posted on the Westlink M7 website at www.westlinkm7.com.au

FY07 priority environmental initiatives

Initiative	Description	FY06 progress	FY07 commitment
Assessing our environmental impacts	Understand the environmental impacts of Hills M2.	Commissioned an environmental review of Hills M2.	Complete environmental review of Hills M2.
Environmental Management System (EMS)	Develop a comprehensive system for environmental management that is integrated through all parts of the organisation.	Framework for EMS completed.	Implement the EMS for CityLink, Transurban corporate and Hills M2. Develop standard terms and conditions on environmental best practice in road design, construction and operations to use with new project partners.
Greenhouse gas plan	Examine risks and opportunities associated with climate change; understand direct and customer greenhouse gas emissions and global carbon trading issues relating to the transport sector.	Climate Change Study outlining global regulatory frameworks arising from carbon emissions and implications for the transport sector completed.	Consider initiatives to address direct and customer greenhouse gas emissions.
Purchasing	Develop and implement a green purchasing policy.	Transurban signed company-wide commitment to ECO-Buy.	Further implement the ECO-Buy program and adopt a green purchasing policy.
Sustainable management practices	Engage senior management to ensure the implementation of the Transurban Environment Strategy across the business.	Environmental Key Performance Indicators (KPIs) were set for three key positions in 2005–06. Three company-wide Key Result Areas (KRAs) for 2005–06 directly addressed CSR objectives.	Incorporate environmental criteria into formal budgeting, reporting and decision-making processes.
Innovation and new business opportunities	Investigate the links between the Transurban business strategy and opportunities for innovative business.	Renewable energy options feasibility study underway.	Explore possible renewable energy initiatives.
Stormwater management	Develop a model for the management of stormwater run-off from Transurban roads including treatment strategies and reuse opportunities.	A model for stormwater management is being developed.	Assess the likely volumes of water available from catchments and determine treatment strategies and re-use opportunities for CityLink and Hills M2.
Supply chain	Develop standard terms and conditions relating to environmental reporting and performance for inclusion in agreements with contractors and suppliers.	Still to be completed.	As part of the implementation of the EMS we will develop standard terms and conditions relating to environmental reporting and performance and include these in agreements with our contractors and suppliers.

ENGAGING WITH COMMUNITIES



^ Brunswick North West Primary School in Victoria, Australia, is one of the many schools Transurban works closely with to help build connections into the communities surrounding its roads.

Engaging with the communities in which we operate

People in the communities surrounding our roads are important to us because our business has the potential to impact on their lives, and their actions have the potential to impact our business.

Toll roads have the capacity to connect communities and deliver substantial economic and social benefits (see Case Study 12 on page 38), but as large pieces of infrastructure they can also physically divide communities.

We aim to understand how our business affects local communities and the environment, and to develop innovative transport solutions to improve people's lives.

By actively engaging with communities we hope to earn community trust, minimise risk, become more competitive and help to create more liveable communities.

This year we adopted four key Community Relations Principles (see right).

Developing a framework for action

We developed our Community Relations Framework to help us to make better connections into the community.

We used a Stakeholder 360™ process (see page 16) to help us develop the Framework, which provides a consistent approach to community relations across all our operations and all stages of our business model—bid, development and operations.

The goal of the Framework is to contribute to local community liveability in communities where Transurban operates its roads.

We will do this by engaging with local communities and developing strong relationships that promote the inclusion of community feedback into business decision making.

Community Relations Principles

1. Common ground

We will find common ground with the communities in which we operate. This means we will:

- maintain dialogue with the communities in which we operate including at bid, development and operation stages of our business
- identify the goals we share with communities and work towards their fulfilment, and
- identify the problems we share with communities and work towards their solution.

2. Long term partnerships

We are committed to the communities in which we operate for the long term. This means we will:

- take a long term view in assessing, developing and managing our operations, relationships and impacts
- assess and monitor the impact of our business on local communities as part of the bid, development and operation of our assets, and
- make appropriate investments in a range of ways in the communities in which we operate.

3. Community trust

We aim to earn the trust of the communities in which we operate. This means we will:

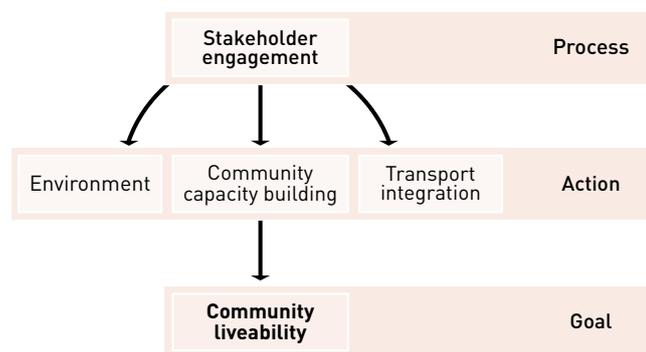
- listen to what our communities want to say to us
- make promises thoughtfully so we can keep them, and
- learn and improve all the time.

4. Transparency and accountability

We are committed to transparency and accountability in our engagement with the community. This means we will:

- be open, honest and accountable in our communications
- communicate regularly about what we are planning and doing, and
- create opportunities for community input and feedback.

Community Relations Framework



Case Study 11

Tree planting

We are a founding partner of Greenfleet, a non-profit organisation that plants native trees to offset greenhouse gas (GHG) emissions from motor vehicles. Today we have our Australian fleet of 32 incident response and maintenance vehicles registered with Greenfleet. In FY06, 18 CityLink employees were involved in planting 544 new trees to offset our vehicle-fleet GHG emissions over the life of the trees.

From 2001 to 2006 we partnered with Greening Australia to deliver the 'CityLink Schools for the Environment Program' in Victoria that resulted in 17,190 tree plantings. The program aims to improve biodiversity in schools through the provision of revegetation grants. On average, 2,865 trees were planted by 1,220 children per year during the six year program. Ten schools participated a year, with 20 schools participating in 2004. During this time we also funded an annual learning forum for teachers called 'Toolbox for Environmental Change' that delivered resources to 1,045 participants.

In FY06 we committed \$50,000 to fund the distribution of 90,000 trees per year in FY07 and FY08 by Blacktown City Council in NSW as part of its annual Tree Giveaway Program.

In 2005 we began the CityLink Creek Connections Program that delivers education programs to improve local people's understanding and involvement with the Moonee Ponds Creek catchment that runs along CityLink. The program has so far resulted in around 2,600 plantings and involved 959 participants. See Case Study 13 on page 39.



Local environmental issues

According to our Stakeholder 360™, the local environmental issues most important to our stakeholders are air quality, noise, water and local ecology. The global issue they care most about is climate change.

In FY06, a number of initiatives focused on working with local community groups to help manage the impacts of our business on the environment.

Around 6,000 trees were planted through partnerships with local community groups including the Moonee Ponds Creek Coordination Committee in Melbourne, Greenfleet and Greening Australia (see Case Study 11 and Case Study 13 on page 39), as part of our commitment to offsetting greenhouse gas emissions produced by our operations.

See the environment section on page 25 for more information on our approach to managing local environmental impacts.

Transport integration

Stakeholders are interested in how our roads connect with surrounding roads and the public transport system. Specific issues include minimising congestion, getting trucks off local

roads, and promoting links to public transport. We work with government and other stakeholders to address these issues.

Transurban's 2005 submission to the Victorian Competition and Efficiency Commission (VCEC) enquiry into managing transport congestion includes proposals for how we can promote public transport usage. See page 5 for more details.

FY06 saw the announcement or delivery of several major projects that will result in significant community and transport network benefits.

In Melbourne, Transurban and the Victorian Government announced a \$903 million project to better integrate CityLink with the road network. The project will add new lanes and an advanced freeway management system to the city's major east-west route, the Monash-CityLink-West Gate corridor.

Work continued on another project with the Victorian Government, the redevelopment of the Tullamarine-Calder interchange, a feeder onto CityLink and a traffic congestion and accident black spot.

One of the benefits brought about by the opening of Westlink M7 was a reduction in truck traffic on local roads. In June 2006, Westlink M7 was recording 103,912 average workday trips. We estimate that around 18 per cent of these were heavy vehicle trips (trucks and buses) that would otherwise have been on arterial roads. The most likely alternate route for these trucks would be the Cumberland Highway which has a large number of traffic lights over the same distance as Westlink M7. The result is less emissions from trucks and less heavy vehicle traffic on local Western Sydney roads.

Also in Sydney, Hills M2 Express Lanes opened in January 2006 eliminating the need for motorists with tags to slow or stop to pay tolls.



Case Study 12

Westlink M7 creates economic growth

Westlink M7 has been a magnet for economic development in Western Sydney—fast tracking industrial, commercial and residential development.

Major companies including Woolworths, Coles Myer, Coca Cola, TNT, BlueScope Steel and LG Electronics have already relocated to business and industrial parks surrounding the motorway to take advantage of the benefits it provides.

CB Richard Ellis (CBRE) conducted research on the economic benefits of Westlink M7 in 2006. They concluded that the M7 is largely responsible for the huge surge in industrial development in Sydney, which increased 58 per cent in the last half of 2005.

Across Sydney, more than two million square metres of industrial land is being developed in 285 separate projects. This equates to more than 320 football fields of new industrial and commercial space, with two-thirds of this development occurring in the M7 corridor.

Since 2000, average industrial land values in the M7 corridor have risen 38 per cent.

In December 2005, the NSW Government almost doubled the land available for employment purposes around the Westlink M7 and M4 interchange. Sized at around 2,450 hectares, the Western Sydney employment hub will be the biggest industrial precinct in Australia, with the potential to create up to 36,000 jobs when it is fully developed.

Westlink M7 also links the two largest residential developments in NSW. Around 180,000 new homes will be built over the next 30 years and will accommodate more than 250,000 people.

A CBRE study in 2006 found that Westlink M7 is largely responsible for the huge surge in industrial development in Sydney, which increased 58 per cent in the last half of 2005.

Community capacity building

Community capacity building describes the notion of community development. In FY06, we supported communities through a number of initiatives and programs including:

- a 'mural walls' partnership with local councils in Melbourne to reduce the incidence of graffiti on our infrastructure while providing young artists with an opportunity to harness their talents (see photo on page 3)
- the CityLink Creek Connections Program, a partnership with the Moonee Ponds Creek Coordination Committee, aimed at involving residents along CityLink in environmental activities around the local Moonee Ponds Creek (see Case Study 13), and
- the Western Sydney Industry Awards that recognise and reward Western Sydney industry champions, celebrate excellence and innovation and strategically promote the region as a leader in innovation and entrepreneurship.

For a full list of Transurban's FY06 community sponsorships see page 53.

FY07 priority initiatives

In FY07 we will begin work on the following initiatives:

- adopt and implement community engagement plans for all our assets and projects
- embed community relations principles in project decision-making processes
- review and update sponsorship/partnership policy and guidelines to address local environmental issues, transport integration and community capacity building, and
- improve our tracking of community feedback.

Case Study 13

From little things big things grow

By Bronwyn Riddell, Education Officer, CityLink Creek Connections Program, run by the Moonee Ponds Creek Coordination Committee

'More than 1,000 people from a diverse range of backgrounds have planted around 2,600 trees in the Moonee Ponds Creek area since the CityLink Creek Connections program started in 2005.

'They are pretty impressive stats but what is even more exciting to me are the countless seeds that have been planted in the hearts and minds of the people who have been involved with the program over the past year.

'CityLink Creek Connections is a partnership between the Moonee Ponds Creek Coordination Committee (MPCCC) and CityLink to involve residents along the Western Link of CityLink in environmental activities around the local creek.

'The education program was officially launched in March 2006 after CityLink funded the creation of my role as the MPCCC's Education Officer.

'The program aims to reach out to those in the Moreland, Moonee Valley and Melbourne areas that don't traditionally become involved in environmental education. The groups we work with include the elderly, those from non-English speaking backgrounds, people with disabilities and the disadvantaged.

'We schedule at least 12 community activities each year, including planting days, clean ups, walks and talks and we have more than 16 Friends of Moonee Ponds Creek groups along the 34-kilometre creek.

'The activities help participants to develop a greater appreciation of their surroundings and form stronger links with the community.

'MPCCC wanted to expand its reach and broaden its skills base so we could offer an education-based program. CityLink wanted to extend its community relations program so it reached deeper into the community and benefited a broader cross-section of its neighbours. So our program is an excellent result for all involved.'





Case Study 14

Innovative solutions for congested cities

Like many American cities, roads around Washington DC suffer from heavy congestion.

The United States Department of Transport puts the national cost of congestion at around US\$200 billion annually, with 3.7 billion hours lost and 2.3 billion gallons of fuel squandered.

Transurban is working to manage congestion and optimise opportunities for public transport around Northern Virginia and Washington DC through the use of High Occupancy Toll (HOT) lanes.

HOT lanes are tolled lanes built next to existing 'free' lanes. HOT lanes are toll-free for vehicles carrying three or more people, but others are charged a toll. The price of the tolls depends on congestion levels on the rest of the road.

HOT lanes offer many advantages over traditional highway construction and operating schemes while also offering a free flow corridor for carpools and express bus services.

We are working with the US construction company Fluor and the Virginia Department of Transportation to develop HOT lane solutions on two congested

motorways—the I-95/395 and I-495 (Capital Beltway) in the Northern Virginia and Washington DC area.

The Transurban-Fluor solution for the I-95/395 includes public transport improvements such as Park and Ride and Express Bus Stops, and a subsidy for improving public transport in the corridor. This facilitates improvement of public transportation services in HOT lane environments.



PUTTING CUSTOMERS FIRST



^ Transurban has several programs in place to ensure it delivers and maintains the highest quality customer service.

Delivering high quality customer service

Transurban delivers high levels of customer service, setting targets and publishing data on how we perform against them in CityLink (ongoing) and *Roam*[®] (from January 2007) customer scorecards.

The reporting targets on the scorecards are based on feedback from customers about what is important to them about our performance.

CityLink has reported its performance on customer service targets every six months since December 2004. Scorecard results are available on the CityLink website at www.citylink.com.au

The table below shows the CityLink scorecard results averaged over FY06.

Roam performance reporting

Transurban launched *Roam*—its NSW tolling brand—for the opening of Westlink M7 in October 2005.

In August 2006 *Roam* introduced its Customer Charter. It will report performance every six months with the first report to be published in January 2007. See Figure 6.1.

Independent Customer Ombudsman

Since 2004 CityLink customers dissatisfied with the formal customer complaint resolution process have been able to have their case reviewed by an Independent Customer Ombudsman.

We introduced the Independent Customer Ombudsman role—a world first in the toll road sector—to increase accountability and transparency.

The Customer Ombudsman has the power to make decisions on individual customer cases, and these decisions are binding on Transurban. It is a free service that is fully funded by Transurban but is located outside our corporate and operational premises in the interests of independence.

During FY06, CityLink's Independent Customer Resolutions Group received 5,787 enquiries, with 81 (or just over 1 per cent) being referred to the Customer Ombudsman's office. All complaints were reviewed by the Ombudsman, but only one was formally investigated. This related to damage to a customer's vehicle and the complaint was not upheld. Full details of the determination can be found at www.transurbanombudsman.com.au

Late Toll invoicing to replace automatic fines

Late Toll invoicing—the most significant customer service improvement for CityLink since it opened—was introduced in July 2005. The new system means motorists who use CityLink without making an arrangement to pay are now issued with an invoice payable within 14 days. Previously, legislation governing CityLink prescribed that motorists would be automatically fined if they did not have a valid entitlement to use the road. Now a fine is only issued after non-payment of the initial invoice and subsequent notice.

On CityLink, around 364,000 unique vehicles received Late Toll invoices instead of enforcement notices in FY06 as a result of these changes.

Westlink M7 customers who use the road without making an arrangement to pay have been issued with toll invoices rather than fines since tolling commenced in January 2006. The invoice system has also been in place for Hills M2 customers since electronically tolled express lanes opened in January 2006.

Figure 6.0 - CityLink scorecard

CityLink Customer Service Target	FY06 average result
Incident response vehicles will respond to an incident in a traffic lane in less than 10 minutes (on average)	4 min 7 sec (traffic lane)
	6 min 40 sec (emergency lane)
80% of consumer call centre calls will be answered within 20 seconds	✓ (80.93%)
80% of all issues raised with the Customer Resolutions Group will be finalised within 7 days	✓ (91.20%)
95% of customer calls will be resolved on the first contact	✓ (97.40%)
99% of letters and emails will be responded to or acknowledged within 2 business days	✓ (100.00%)
95% of new e-TAGs requested will be dispatched within 4 business days	✓ (99.97%)
100% compliance with EPA Victoria environmental requirements	✓ (100.00%)

Figure 6.1 - Roam scorecard

Roam Customer Service Target
75% of customer calls answered within 20 seconds
90% of customer issues resolved on first contact
80% of issues raised with Customer Resolutions Group finalised within 7 business days
95% of letters and emails responded to or acknowledged within 2 business days
95% of new tags dispatched within 4 business days



Case Study 15

What do we do when we get it wrong?

By Jean Ker Walsh,
Media and Stakeholder Manager

'In my experience, CityLink has a real commitment to 'get it right, first time'. But the system complexity of the electronic tolling business, the huge volume of daily transactions and the human factor in some of our processes means errors are bound to happen. It's what we do when something goes wrong that is a good measure of the company, I think.

'So, when we had a media enquiry about a Late Toll invoice being sent to a farmer and the vehicle in question was his old tractor that had never left the farm, public ridicule for getting things so badly wrong was inevitable. And then the owner of a forklift emerged with a similar story. So what do you do?

'Firstly, we quickly checked and promptly conceded the error. We outlined how we got it wrong. We apologised. We withdrew the invoice. We internally reaffirmed the business rules that are meant to avoid such errors. And only later did we try to set the context—not as an excuse, but as an opportunity to inform people about the size and complexity of our business.

'Electronic tolling looks pretty straightforward to our customers—and so it should. But there are times when it's appropriate to reveal some of the behind-the-scenes activity that makes errors explicable, if not excusable. I think this is a more transparent approach than hunkering down and simply waiting for the media storm to pass.'

Statement given to the media:

In this case, it would appear an image reader has misread the license plate number on a damaged plate, which had slightly distorted the letters.

CityLink does have a policy to discard license plate images that are even slightly unclear. However, this does not appear to have happened in this case, and we apologise for the human error.

No organisation can completely safeguard against human error, when people are an integral part of a process. Seen in context, CityLink gets it right more than 99.99 per cent of the time. In the first six months of 2006, for example, of around 14 million images viewed, only 840 needed to be withdrawn. We got it wrong 0.01 per cent of the time.

The important thing is that when we are alerted to these issues, they are promptly rectified.

Continual improvement

In January 2006, CityLink introduced an internal Customer Advocacy Panel (CAP) to better understand the needs of our customers and to build customer considerations into the daily life of the business. It is made up of a cross section of 10 employees. Each representative attends bi-monthly CAP meetings to review selected customer complaints through the customer's eyes and, where applicable, make recommendations for change.

One successful CAP initiative means that customers who telephone CityLink to change their contact details are asked if they would also like to be connected to VicRoads, the Victorian State licensing and registration authority, to update their details.

Over the next year we will continue with the rollout of our customer service improvement program Customer First. The focus of the Customer First program is to demonstrate that 'doing business with us is easy' by promoting excellence in internal and external customer service.

We will also adopt a Financial Hardship Policy to assist customers who are unable to meet their payment obligations due to unforeseen circumstances such as illness or unemployment.

Privacy and information security

We ensure that all personal information collected is managed in accordance with privacy legislation and privacy-specific sections of applicable toll road legislation. We also ensure it is managed according to our published privacy policies. We undertake regular reviews of compliance with privacy policies. Privacy issues are also covered in Transurban's audit programs.

Our privacy policies are available on the privacy sections of our customer service websites (www.citylink.com.au, www.roam.com.au and www.roamexpress.com.au).

Fraud reporting

Fraud control is a routine part of our business risk management processes and is the responsibility of all employees, particularly supervisors and managers. Fraud information is delivered to employees during the induction process and through the Code of Conduct. The Manager, Internal Audit, has responsibility for reporting all instances of fraud to the Board Audit Committee and Chief Finance Officer.

All cases of fraud result in internal disciplinary action, which may include termination of employment. In the case of serious fraud incidents, the matter may be handed directly to the police for appropriate legal action. Transurban has a zero tolerance policy on fraud.

The risk of fraud is continually assessed and appropriate controls are monitored and updated accordingly.

There were no known instances of fraud during the 2005-06 reporting year.

Road safety

Safety is a high priority when it comes to our customers. We aim to provide a safe driving environment by designing and maintaining our roads to the highest safety standards, responding quickly to on-road incidents and providing real time driver information where possible.

We contract TransLink Operations (TLO) to control traffic, incident response and environmental management on CityLink in Victoria. In NSW, Bilfinger Berger Services (BBS) Australia performs incident response and Transroute provides Traffic Control Room Operations on Hills M2.

Incident response

Our assets have varying incident response time targets reflecting the different needs of each market.

CityLink

Our incident response contractor, TLO, is contracted to respond within:

- 10 minutes to hazardous incidents, which is any event that is causing or has the potential to cause travel delays or a hazard to the travelling public, and
- 40 minutes for non-hazardous incidents.

In the 2005 calendar year TLO responded to hazardous incidents within 10 minutes 97.9 per cent of the time. For non-hazardous incidents TLO responded within 40 minutes 99.4 per cent of the time.

Hills M2

Until May 2006, the on road incident response time target was 30 minutes, which was achieved 100 per cent of the time. The actual average day time response time was between four to six minutes.

Incident response times on Hills M2 were revised when Transurban took over the management of operations and maintenance functions in May 2006. Bilfinger Berger Services (BBS) is now contracted to respond to hazardous

Figure 6.2 - CityLink collision index reported by TransLink Operations

Location	% change from 2004	2005 Accident Index	2004 Accident Index	2003 Accident Index
CityLink all accident	-8%	42.0	45.83	33.69
CityLink injury accident	8%	8.6	7.93	8.57

Collisions refer to an impact that damages a motor vehicle or an incident requiring CityLink maintenance. The CityLink Injury Accident is when a person is declared injured at the site of an accident and is taken by ambulance for treatment. The CityLink All Accident Index is where there has been third party damage and incident response teams are required to respond.

incidents impacting on road safety according to the following targets.

During normal working hours:

- 50-70 per cent of incidents within 10 minutes
- 85-90 per cent of incidents within 20 minutes, and
- 100 per cent of incidents within 30 minutes.

Outside normal working hours:

- 50-70 per cent of incidents within 20 minutes
- 85-90 per cent of incidents within 40 minutes, and
- 100 per cent of incidents within 60 minutes.

Between May and August 2006, BBS achieved the following response times:

- during normal working hours— 93.6 per cent within 10 minutes and 100 per cent within 30 minutes, and
- outside normal working hours— 98.3 per cent within 20 minutes and 100 per cent within 60 minutes.

Normal working hours are between 6am and 7pm Monday to Friday (excluding public holidays).

Collisions

CityLink

There was one fatal accident on CityLink during FY06. Figure 6.2 shows the Collision Index that outlines the number of collisions per 100 million vehicle kilometres travelled. This is an internationally recognised index for reporting such information.

In the FY06 period, there was 8 per cent fall in the All Accident Collision Index for CityLink which describes situations where there has been third party damage where incident response teams are required to respond. There was an 8 per cent increase in the Injury Accident Index, which refers to incidents where a person is declared injured at the site of an accident and is taken by ambulance for treatment.

In order to reduce collisions we have introduced signage, road alignment and additional electronic driver speed awareness systems to sections of CityLink.

Hills M2

There have been no deaths on Hills M2 as a result of a vehicle accident. In FY06 there were 74 reportable accidents on Hills M2 (reportable accidents are defined as those which require towing, police, ambulance or any other emergency services plus any accident that causes damage to the motorway).



Case Study 16

Spreading the road safety message

Operation Countdown is an annual road safety initiative of Victoria Police which has been running since 1982. Transurban is supporting it through a three-year sponsorship worth \$90,000.

The money helps fund a bus equipped with interactive learning facilities that travels throughout Victoria to spread the road safety message. People can board the bus and find a range of information on the dangers of combining driving with alcohol, speed, fatigue or drugs. They can also take quizzes on road safety, including one about the safety features on CityLink.

Operation RoadSafe is another annual road safety campaign that we supported during the year. Through Hills M2 in NSW we backed a high profile advertising campaign about coordinated police road blitzes for the Roads and Traffic Authority, the NSW Police and the Motor Accidents Authority.

We helped educate tens of thousands of motorists every day about fatigue, speeding, drink driving and seatbelt use through variable message signs and bridge banners over the motorway.

^ Photo courtesy of The Imaging Services Group.

Safety features

CityLink

The CityLink Traffic Control Room (TCR) operates continuously and monitors CityLink roads and tunnels. We have an Alternative Traffic Control Room (ATCR) that can be fully operational in 24 hours should we lose access to the CityLink Operation and Maintenance Building, a capability that is rare in Australia. All functions for safe and effective tunnel operations are available from the ATCR.

Our advanced tunnel safety systems include closed circuit TV cameras, automatic incident and fire detection systems, emergency telephones, communications systems and fire-fighting equipment. Safety information in our tunnels includes overhead lane signals and signs that give safety instructions in an emergency.

In 2005 we implemented a driver warning system on a section of CityLink following an increase in speed related incidents involving trucks. The program included engineering and customer communication upgrades, such as the installation of a variable message sign linked to an in-road sensor. The sign activates an alarm and display if a vehicle is approaching the interchange at unsafe speeds. These changes have resulted in reduced collisions, improved safety and lane availability and more reliable travel times.

Hills M2

The Hills M2 traffic control room is operated by Transroute Australia and provides continuous monitoring via 25 surveillance cameras. This includes nine cameras around the Hills M2 tunnels recording 24 hours a day, seven days a week. There are three permanent Variable Message Signs to communicate with motorists.



^ The driver warning system installed on CityLink in 2005 has helped reduce collisions, improve safety and provide more reliable travel times.

Customer safety communications

During FY06 we promoted a number of road safety initiatives to our customers, including Lock Down That Load (see opposite), and Operation Countdown in Victoria and Operation RoadSafe in NSW (see Case Study 16 on page 46).

We will send out 750,000 brochures to CityLink customers explaining tunnel safety features and safe driving information during FY07.

FY07 priority initiatives

- Implement a Fraud Incident Register, Fraud Policy and stand-alone Whistleblower Policy.
- Continue the internal Customer First program.
- Introduce a CityLink Financial Hardship Policy to assist customers who, due to unforeseen circumstances such as illness or unemployment, are unable to meet their payment obligations.
- Review our customer research models.
- Review service delivery to commercial customers to improve consistency of service standards.
- Review and further develop the Lock Down That Load campaign.
- Meet newly established *Roam* customer service targets.
- Meet CityLink customer service targets.

Case Study 17

Lock down that load

In 2005 CityLink and VicRoads, the Victorian Government roads statutory body, partnered to launch Lock Down That Load, a driver awareness campaign aimed at professional carriers, farmers, tradesmen and drivers who use trailers.

Around 40 tonnes of debris is picked up from the 22 kilometres of CityLink road every month, which means we are regularly forced to close traffic lanes to collect on-road debris and lost loads.

'In 12 months we collected enough wood, bricks, roof tiles, rocks and steel to build a home,' said CityLink's Senior Traffic Control Officer, Scott Cain.

'And we would have had plenty of tradesmen's tools plus 10 ladders for the job. The home could have been comfortably furnished with other items that have actually fallen off trucks, utes and roof racks in the past including an air conditioner, a bath, pieces of carpet, seven chairs, cushions, a desk, a fridge, three mattresses and pillows, a set of pine drawers, a rug and a table,' he said.

The Lock Down That Load message was delivered to the community with the support of the media, the Victorian Transport Association, the Transport Safety Industry Group, the Transport Workers' Union and Victoria Police.

The success of the Lock Down That Load initiative is being tracked with a view to building on the campaign in the future.



< Photo courtesy of VicRoads.

SETTING COMMITMENTS



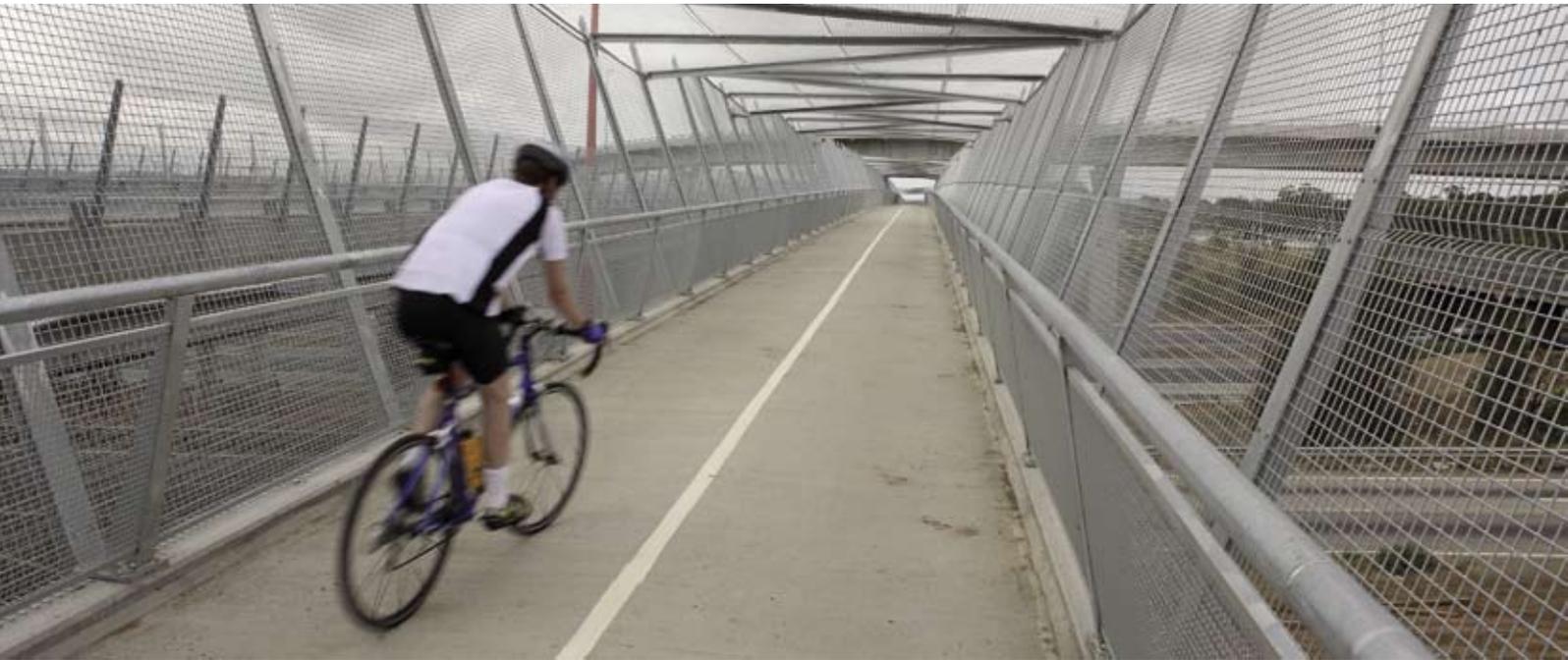
^ The Cumberland Woodland, located along Westlink M7, is an endangered ecological community. Transurban has taken a number of actions to help protect the plants. See page 34 for more details.

Section	Description of commitment	Page
Connecting communities	Transurban will report annually on its sustainability progress	i
Engaging with our stakeholders	Understand needs of stakeholders in new markets	36
Providing opportunities for employees	Implement leadership development program	23
	Continue succession planning initiative	23
	Globalise current induction program	23
	Further develop our employee values program	23
	Implement Tolling Essentials course	23
Managing our environmental impacts	Investigate the cost and benefits of developing our own model (of carbon emissions) to demonstrate the environmental benefits of free flow traffic	27
	Consider initiatives to address direct and customer greenhouse gas (GHG) emissions	27, 34
	Reduce direct GHG emissions on our CityLink operations by 5,000 tonnes per annum by 2011.	27
	Further implement the ECO-Buy program and adopt a green purchasing policy	29, 34
	Implement the EMS for CityLink, Transurban corporate and Hills M2	26, 34
	Develop standard terms and conditions on environmental best practice in road design, construction and operations to use with new project partners	29, 34
	Incorporate environmental criteria into formal budgeting, reporting and decision-making processes	34
	Explore possible renewable energy initiatives	34
	Assess the likely volumes of water available from catchments and determine treatment strategies and re-use opportunities for CityLink and Hills M2	34
	Complete environmental review of Hills M2	26, 34
Engaging with communities	Adopt and implement community engagement plans for all our assets and projects	39
	Embed community relations principles in project decision-making processes	39
	Review and update sponsorship/partnership policy and guidelines to address local environmental issues, transport integration and community capacity building	39
	Improve our tracking of community feedback	39
Putting customers first	Review our customer research models	47
	Review service delivery to commercial customers to improve consistency of service standards	47
	Meet newly established <i>Roam</i> customer service targets	47
	Meet CityLink customer service targets	47
	Review and further develop the Lock Down That Load campaign	47
	Implement a Fraud Incident Register, Fraud Policy and stand-alone Whistleblower Policy	47
	Continue the internal Customer First program	47
	Introduce a CityLink Financial Hardship Policy	44, 47

Setting commitments

It is important to us to keep our promises. We will report our progress on the commitments made in FY07 in our 2007 sustainability report.

SUPPLEMENTARY INFORMATION



^ The Westlink M7 shared pedestrian and cycle path provides around 40 kilometres of continuous, grade-separated path, stretching from Prestons to Baulkham Hills. In July 2006, the shared path was used for the inaugural Westlink Marathon involving more than 100 athletes.

Employees

Total workforce by gender by employee category* (GRI LA14)					
	Female	Male	2005-06 Total	Female %	Male %
Executive officer	0	5	5	0%	100%
Upper management	2	11	13	15.38%	84.62%
Middle management	23	79	102	22.55%	77.45%
Supervisor/team leader	19	17	36	52.78%	47.22%
Specialist/professional	87	165	252	34.52%	65.48%
Admin/support	41	3	44	93.18%	6.82%
Award employee	176	78	254	69.29%	30.71%

* Excluding employees on maternity leave and Board of Directors

Employee turnover* (GRI LA2)						
	2005-06		2004-05		2003-04	
Average headcount	489		395		355	
Employee turnover	70	14.31%	68	17.22%	58	16.34%

* Includes permanent full time and part time employees

Employee turnover by gender* (GRI LA2)						
	2005-06		2004-05		2003-04	
Total resignations	70		68		65	
Male	33	47.14%	31	45.59%	34	52.31%
Female	37	52.86%	37	54.41%	31	47.69%

* Includes permanent full time and part time employees

Employee turnover by age* (GRI LA2)						
	2005-06		2004-05		2003-04	
Total resignations	70		68		58	
Up to 25 years	8	11.43%	6	8.82%	8	13.79%
26-30 years	20	28.57%	21	30.89%	19	32.76%
31-35 years	20	28.57%	20	29.41%	12	20.69%
36-40 years	7	10%	10	14.71%	9	15.52%
41-45 years	7	10%	3	4.41%	4	6.90%
46-50 years	1	1.43%	4	5.88%	3	5.17%
51 years +	7	10%	4	5.88%	3	5.17%

* Permanent employees

Percentage of eligible workforce represented in management/worker OHS committees (GRI LA6)		
2005-06	2004-05	2003-04
3.01% (18 employees)	3.42% (15 employees)	4.37% (17 employees)

* Workforce figure is made up of permanent and fixed term employees

Performance and career development training (GRI LA13)			
	2005-06	2004-05	2003-04
Employees receiving performance and career development review	100%	100%	100%
Average hours of training per employee (average of total workforce)	18.77	Data not available	Data not available
Average per cent of remuneration allocated to learning and development (per employee)	1.8%	Data not available	Data not available

Total workforce by gender* (GRI LA14)			
	2005-06	2004-05	2003-04
Male	50.98%	55.32%	51.03%
Female	49.02%	44.68%	48.97%

* Workforce figure is made up of permanent, fixed term and casual employees

Composition of Board by gender (GRI LA14)			
	2005-06	2004-05	2003-04
Male	87.5%	87.5%	87.5%
Female	12.5%	12.5%	12.5%

Total workforce by age (GRI LA14)		
	2005-06	2004-05
Up to 25 years	8.30%	7.78%
26-30 years	20.06%	22.67%
31-35 years	18.25%	18.67%
36-40 years	19.00%	18.22%
41-45 years	11.61%	10.44%
46-50 years	8.60%	9.33%
51 years +	14.18%	12.89%
Average age	38.24 years	37.74 years

Employee satisfaction			
	2005-06	2004-05	2003-04
Satisfaction rating	83%	n/a	70%

Reported incidents of discrimination (GRI HR4)			
	2005-06	2004-05	2003-04
Incidents	0	0	0

Community

2005–06 charitable donations

Transurban donated toll credits and cash to several organisations (see table right for more details).

2005–06 in-kind support for community events

Transurban provided in-kind support including toll waivers, road closures and expenditure on traffic management, promotion and logistics for a range of community events (see table right for more details).

2005–06 community sponsorships

Transurban sponsored more than 50 community initiatives during FY06 (see table below for more details).

2005–06 charitable donations

Rumbalara Football & Netball Club
Rosie's Oblate Youth Mission
Reach Foundation
World Vision
Kids Helpline
Driver Reviver
The Northern Hospital
St Lucy's School
The Smith Family
One in Five (toll credit)
The Alfred Foundation (toll credit)

2005–06 in-kind support

Run for the Kids (9 April 2005)
Olympic Dream (13 November 2005)
Melbourne Commonwealth Games (15 March 2006)
Mothers Day Classic (14 May 2006)
Run to the G (18 June 2006)

2005–06 community sponsorships

Blacktown City Council (Tree Giveaway Program)	Ascot Vale Special School (CSSP)	Moonee Valley Racing Club
Blacktown City Council (Arts Show)	Debney Meadows Primary School (CSSP)	NRMA (Careflight Helicopter)
Blacktown City Council (Sydney Symphony Orchestra)	Brunswick North West Primary School (CSSP)	Parks Victoria (Burnley Climbing Wall)
Breast Cancer Research (Changing Gears Event)	Brunswick South West Primary School (CSSP)	Police Association (Blue Ribbon Day)
Cancer Council (Relay for Life)	Moonee Ponds Central Primary School (CSSP)	Westmead Millenium Institute in NSW (Pollie Pedal)
City of Moonee Valley (Indigenous Arts Project)	Strathmore Primary School (CSSP)	Precedent Productions (Business Award)
City of Moonee Valley (Moonee Ponds Festival)	RMIT University (Engineering Scholarships)	Red Cross (Red Cross Calling Appeal)
City of Moreland (Kildonan Community Garden)	Melbourne University (Engineering Scholarships)	Ryde Rotary (Carols by Candlelight)
City of Stonnington (Drain Stencil Project)	Monash University (Engineering Scholarships)	Strathmore Bowls Club
City of Stonnington (Pensioner's Christmas Lunch)	Gladesville Spirit Charity Soccer Match	The Western Sydney Industry Awards
City of Yarra (Richmond Asia Business Association)	Greening Australia	Victoria Police (Operation Countdown)
City of Yarra (Celebrate Yarra Festival)	Baulkham Hills Shire Council	Victorian Arts Centre (Presidents Club)
City of Yarra (Fund Grant)	(Hills Excellence in Business Awards)	Victorian Arts Centre (Corporate Membership)
Flemington Primary School (CityLink School Support Program (CSSP))	Hispanic-Latin American Festival & Cultural Association	Victorian Transport Association Freight 2005
	Kellyville Public School (Cracker Carnival)	West Coburg Bowling Club
Pascoe Vale South Primary School (CSSP)	Leadership Victoria	Western Chances
Richmond Primary School (CSSP)	Melbourne International Film Festival	Westlink Marathon
Brunswick Special Development School (CSSP)	Moonee Ponds Creek Committee	

Public policy development and lobbying

Transurban supports the democratic process through political donations in the communities it serves, or seeks to serve, with a view to achieving both good government and good opposition.

While we do not become involved in political debates, we do believe that we have a legitimate and important role to play in policy debates that affect our business. We have made submissions and have delivered speeches on public policy issues, namely:

- a submission to the Victorian Competition and Efficiency Commission enquiry into managing transport congestion in Victoria, Australia, in December 2005

- an address to Australia Business Limited, Sydney, Australia, in February 2006

- an address to the Public Private Partnerships Summit in Sydney, Australia, Toll Roads—A New Approach, in May 2006, and

- a submission to the National Transport Commission on engine brake noise in June 2006.

In addition, we have representatives on government and industry boards:

- Kim Edwards is a member of the Business Council of Australia and a member of Infrastructure Partnerships Australia, and
- Lisa Hunt was appointed member of the Freight Infrastructure Advisory Board (FIAB) NSW, Australia, in March

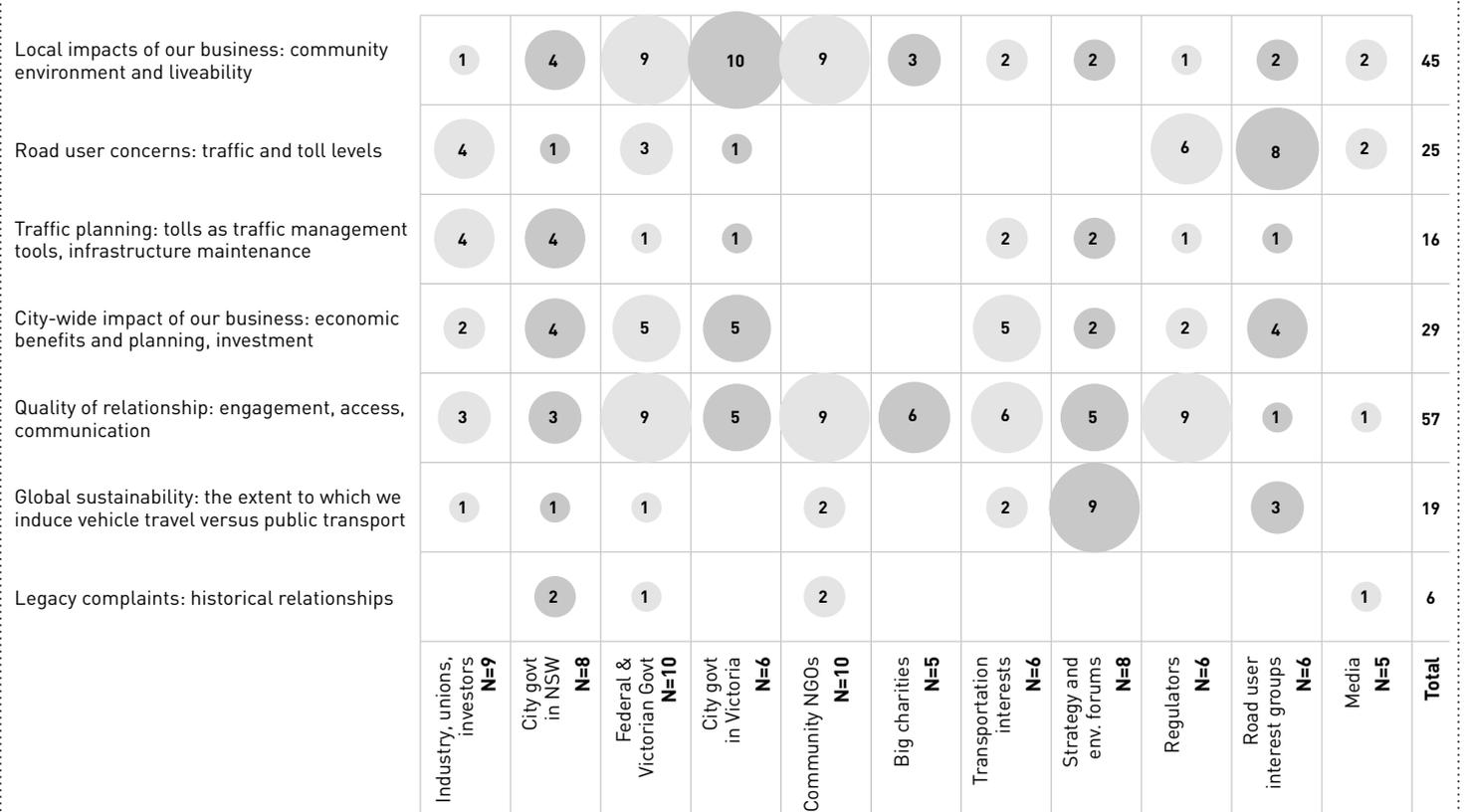
2005. Lisa is also a Director of the Queensland Rail Board and a Member of the Greater Western Sydney Economic Development Board.

Transurban is a member of a number of industry bodies, including:

- Australian Business Limited
- CEDA (Committee for Economic Development of Australia)
- Committee for Melbourne
- Infrastructure Association of Queensland, and
- Tourism and Transport Forum.

Stakeholders

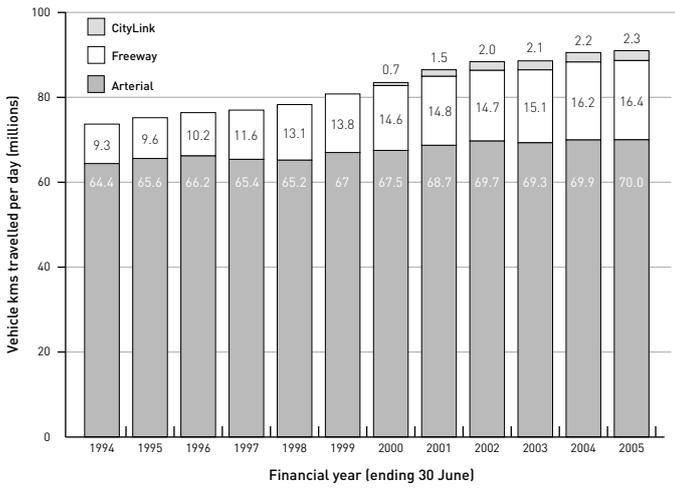
The graph shows on the vertical axis the main issues identified by stakeholders during the Stakeholder 360 interviews. Stakeholders were grouped into 11 categories, as shown on the horizontal axis (N= denotes number of organisations in category). The numbers inside the bubbles indicate the number of times each issue was mentioned by the stakeholder category.



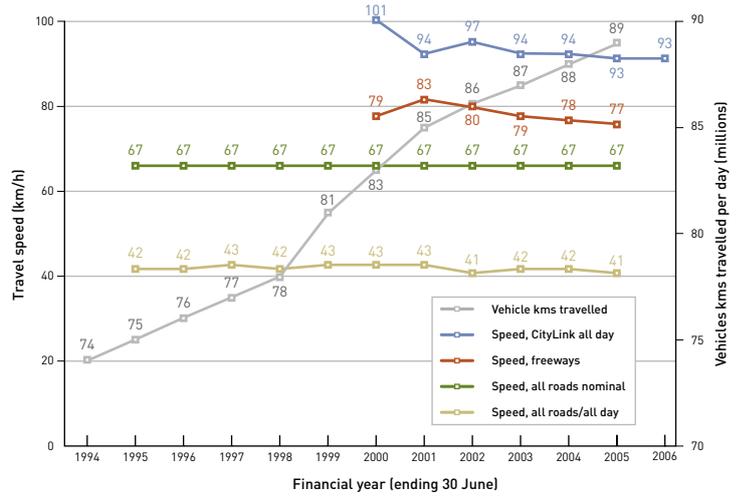
Traffic

Traffic information

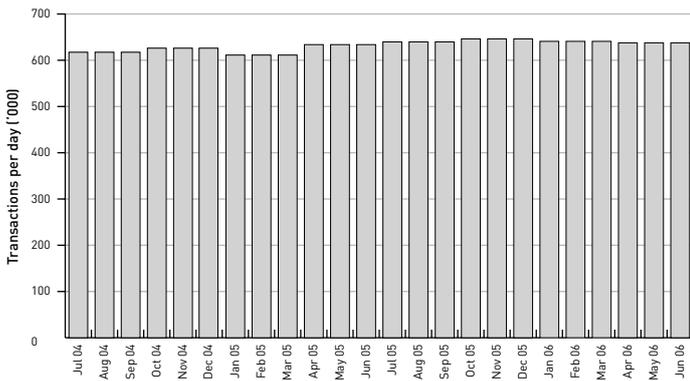
Vehicle kilometres travelled on CityLink, freeways and arterials



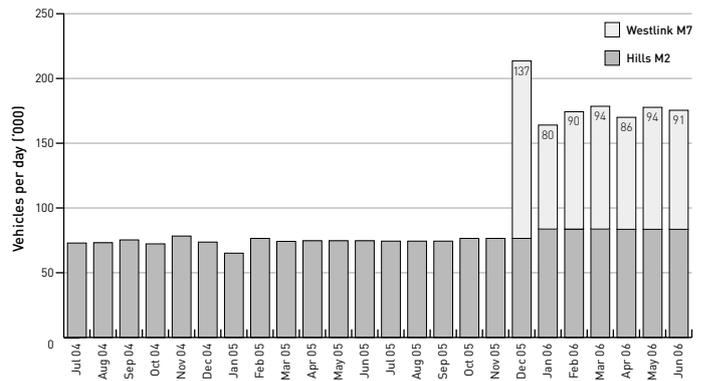
Vehicle speeds on CityLink compared with all roads



Total daily transactions on CityLink



Traffic volumes on Hills M2 and Westlink M7



Environment

Environmental regulation of Transurban roads

CityLink

CityLink Melbourne Limited is subject to regulation by the EPA Victoria in respect of:

- discharges from the tunnel ventilation system
- discharges from the tunnel drainage systems, and
- groundwater quality in the aquifers surrounding the tunnels.

The main regulation relates to the Waste Discharge Licence (EA41502) that regulates the operation of the tunnel ventilation system and imposes requirements to monitor the emissions of carbon monoxide, oxides of nitrogen and particulate matter.

This monitoring is undertaken by several specialist organisations under the supervision of the CityLink operator, Translink Operations Pty Ltd. The monitoring organisations are certified by the National Association of Testing Authorities.

Monitoring verifies that emission levels are well below the maximum levels specified in the Waste Discharge Licence, and that there has been an improvement in ambient air quality since the tunnels opened.

Following discussions with the Environmental Management Committee, which includes representatives from CityLink, Translink Operations, EPA Victoria, local councils and community representatives, Translink Operations sought an amendment to the Waste Discharge Licence.

Accordingly, on 7 June 2005, EPA Victoria issued an amended Waste Discharge Licence (Licence EA41502) which materially altered the licence conditions. Under the amended licence, CityLink is no longer required to monitor ambient air quality in the vicinity of the tunnel ventilation stacks.

Monitoring of emissions within the tunnels and from the ventilation stacks will continue unchanged.

Monitoring of groundwater quality verifies that the requirements of the EPA are being met.

Monitoring of tunnel drainage water quality verifies that the requirements of the EPA are being met.

CityLink Melbourne Limited is obliged to take remedial action if traffic noise at abutting developments exceeds 63dB(A) L₁₀ . 18hr.

Westlink M7

Westlink M7 operations are not subject to any special environmental regulation apart from that which would apply to any other road or development of a similar nature, except that Appendix 5 of the State Works Technical Criteria requires protection for sensitive areas and specified trees that are endangered sites used by bats for roosting.

The Westlink M7 Concession Deed specifies that traffic noise levels must not exceed 55dB(A) L_{eq} . 15hr during the day and 50dB(A) L_{eq} . 9hr at other times.

Roam

Roam is not subject to any special environmental regulation.

Hills M2

Transurban Hills Motorway Limited is subject to regulation with respect to discharges of stormwater runoff from the motorway into the Lane Cove River, and is also obliged to monitor the level of carbon monoxide within the Hills M2 tunnels.

Monitoring of these parameters indicates that environmental requirements have not been breached in the past and experience suggests that it is extremely unlikely that there will be any breaches in the future.

EPA requirements specify that traffic noise levels must not exceed 60dB(A) L_{eq} . 15hr during the day and 55dB(A) L_{eq} . 9hr for other times.

MEASURING PERFORMANCE

GRI TABLE



^ CityLink partnered with local councils in Melbourne to deliver the 'mural walls' project to help reduce the incidence of graffiti on our infrastructure, and provide young artists with an opportunity to make a positive contribution to their local community. Local artists and Strathmore Secondary College students painted the mural using stencil art.

This table outlines the GRI indicators addressed in this report. These are based on the draft G3 guidelines.

Indicator	Description	Page	Comment
Standard disclosures			
1: Strategy and analysis			
1.1	Vision and strategy	2, 11	
1.2	Key risks and opportunities	4-6	
2: Organisational profile			
2.1	Name of organisation	i	
2.2	Major brands	8-10	
2.3	Operational structure	8	
2.4	Countries in which the operations are located	8	
2.5	Ownership and legal form	8	
2.6	Markets served	8	
2.7	Scale	8	
2.8	Major decisions taken during the reporting period	i, 8	
3: Report parameters			
3.1	Report scope	i	
3.2	Reporting period	i	
3.3	Date of most recent previous report	Not relevant	
3.4	Significant changes	Not relevant	
3.5	Plans for future reporting	i	
3.6	Identification of GRI reporting framework documents	i	
3.7	Defining report content	i, 16	
3.8	Specific limitations	i	
3.9	Data measurement techniques	Not reported	
3.10	Approaches to stakeholder engagement activities	15-16	
3.11	Type of information generated by stakeholder engagement activities	15-16, 54	
3.12	Boundary of the report	i	
3.13	Significant changes in size, structure, ownership or product offerings	i, 8	
3.14	Basis for reporting joint ventures	i	
3.15	Explanation for re-statements	Not relevant	
3.16	Table identifying location of standard disclosures	58-59	
3.17	Policy and practice for seeking independent assurance	62-63	
4: Governance, commitments and engagement			
4.1	Governance structure	12, 14	Refer 2006 Annual Report
4.2	Commonality between Chair and Executive Officer	12	Refer 2006 Annual Report
4.3	For unitary Board structure, number of members of the highest governance body that are independent or non-executive		Refer 2006 Annual Report
4.4	Mechanisms for shareholders and employees to provide recommendations to the highest governance body	14	Refer 2006 Annual Report
4.5	Linkage between compensation and organisational performance for highest governance body, and senior management		Refer 2006 Annual Report
4.6	Process for determining required qualifications and expertise of member of the highest governance body to guide organisational strategy		Refer 2006 Annual Report
4.7	Processes to ensure conflict of interest are avoided		Refer 2006 Annual Report

Indicator	Description	Page	Comment
Standard disclosures			
4: Governance, commitment and engagement (continued)			
4.8	Internally developed mission and values statements, codes of conduct	11, 23	
4.9	Processes for overseeing organisation's identification and management of economic, social and environmental performance	14	
4.10	Evaluating the performance of the highest governance body		Refer 2006 Annual Report
4.11	Application of the precautionary principle	Not reported	
4.12	Externally developed, voluntary economic, environmental, and social charters, which the organisation subscribes	Not reported	
4.13	Significant membership in associations	54	
4.14	List of stakeholder groups engaged	16, 53-54	
4.15	Basis for identification and selection of stakeholders to engage	16	
4.16	Approaches to stakeholder engagement	16	
4.17	Key issues and concerns that have been raised through stakeholder engagement	16	
Disclosure of management approach (economic)		11-12	Refer 2006 Annual Report
Disclosure of management approach (environmental)		26	
Disclosure of management approach (social: labour)		18-24	
Disclosure of management approach (social: human rights)		Not relevant	
Disclosure of management approach (social: society)		36-39	
Disclosure of management approach (social: product safety)		45-48	
Core			
EC1	Economic value generated	11	Refer 2006 Annual Report
EC2	Financial implications of climate change		Refer to Transurban's response to the Carbon Disclosure Project at www.cdproject.net
EC3	Coverage of the organisation's defined benefit pension plan obligations	Not reported	
EC4	Financial assistance received from government	Not reported	
EC5	Entry level wage	Not reported	
EC6	Local suppliers	Not reported	
EC7	Local hiring	Not reported	
EC8	Public benefits of infrastructure investments	4-5, 38, 40	
EN1	Weight of materials used	Not reported	
EN2	Percentage of materials used that are recycled	32-33	Partial Information
EN3	Direct energy consumption		Refer to Transurban's response to the Carbon Disclosure Project at www.cdproject.net
EN4	Indirect energy consumption	Not reported	
EN9	Total water withdrawal	32	Partial information
EN12	Land adjacent to protected areas	34	Partial information

EN13	Impacts of activities in protected areas	34	Partial information
EN17	Greenhouse gas emissions	27-29	
EN18	Ozone-depleting substances	Not relevant	
EN19	NOx, SOx and other air emissions	27	
EN20	Waste	Not reported	
EN21	Water discharge	Not reported	
EN22	Significant spills		In the calendar year 2005 there were 18 spills in CityLink. Of these, 16 were less than 60 litres, 2 were greater than 60 litres of which the largest was 100 litres. Total spills for the year were 1,160 litres. None of these spills escaped the roadway.
EN23	Indirect greenhouse gas emissions	29-31	Partial information
EN26	Managing environmental impacts	26	
EN27	Products sold and reclaimed	33	Partial information
EN28	Non-compliance with environmental regulations		In 2005-06 there were no incidents of, and fines or non-monetary sanctions for, non-compliance with applicable environmental regulations.
LA1	Total workforce breakdown	18	
LA2	Rate of employee turnover	18, 52	
LA4	Trade Union representation and collective bargaining	Not reported	
LA5	Consultation with employees regarding operational changes	Not reported	
LA6	Workforce representation on health and safety committees	52	
LA7	Injury, lost days and work-related fatalities	23	
LA8	Support to workforce affected by HIV/AIDS	Not reported	
LA11	Training hours per employee	20, 52	
LA14	Diversity	21, 52	
HR1	Human rights clauses and screening in investment agreements	Not reported	
HR2	Human rights screening of suppliers	Not reported	
HR4	Discrimination	52	
HR5	Violations of freedom of association	Not reported	
HR6	Child labour	Not reported	
HR7	Compulsory labour	Not reported	
S01	Managing community impacts	36-37	
S02	Training to prevent corruption	44	
S03	Actions taken in response to corruption	Not relevant	
S04	Public policy development and lobbying	54	
PR1	Improving health and safety in product life cycle	45-48	
PR3	Product and service information and labelling	45-47	
PR8	Data protection procedures	44	
Additional			
EC9	Indirect economic impacts	4-5, 38, 40	
EN5	Percentage of total energy consumption met by renewable resources	29	In 2005-06 the percentage of total energy consumption met by renewable resources was 0%.
EN6	Energy savings	27	Partial information
EN7	Energy-efficient products and services	28-31	Partial information
EN8	Reductions in indirect energy consumption	Not reported	
EN10	Water sources affected by withdrawal of water	Not reported	
EN11	Water recycled and reused	32	
EN14	Habitats protected or restored	34	
EN15	Managing impacts on biodiversity	34	

Indicator	Description	Page	Comment
Standard disclosures			
Additional (continued)			
EN16	IUCN Red List species impacted	Not reported	
EN24	Weight of transported waste deemed hazardous	Not reported	
EN25	Water sources and habitats affected by water discharge and runoff	Not reported	
EN29	Environmental impacts of transportation	29	
EN30	Total environmental protection expenditures	Not reported	
LA3	Minimum benefits provided to full-time employees	21	
LA9	Occupational health and safety approach	23	
LA10	Health and safety topics covered in union agreements	Not relevant	
LA12	Skills management and lifelong learning	20, 23, 52	
LA13	Performance and career development	20, 23, 52	
LA15	Average remuneration of men and women	Not reported	
HR3	Employee training on aspects of human rights	Not relevant	Our Code of Conduct requires the fair and equitable treatment of all employees, customers and contractors by Transurban staff.
HR8	Procedures for complaints and grievances	23	
HR9	Security personnel trained in human rights policies	Not relevant	Our Code of Conduct requires the fair and equitable treatment of all employees, customers and contractors by Transurban staff.
HR10	Rights of indigenous people	Not reported	
S05	Contributions to political parties		Australian contributions over \$1,500 are reported at www.aec.gov.au
S06	Legal actions for anti-competitive and monopolist practices		There were no legal actions for anti-competitive and monopolist practices during the reporting period.
PR2	Non-compliance with regulations concerning health and safety effects of products and services	Not reported	
PR4	Non-compliance with regulations concerning product information and labelling	Not reported	
PR5	Customer satisfaction	42	
PR6	Programs for adherence to laws and standards related to marketing communications		Transurban complies with relevant industry Codes of Practice, including the Australian Marketing Institute Code of Professional Conduct and the Australian Direct Marketing Association Code of Practice. We also require our advertising suppliers to comply with the Australian Association of National Advertisers Code of Conduct. We comply with the provisions of the Privacy Act and the National Privacy Principles.
PR7	Non-compliance with regulations concerning marketing communications	Not reported	
PR9	Substantiated complaints regarding breaches of customer privacy.		There were no substantiated complaints regarding breaches of customer privacy during the reporting period.
Transurban indicators			
Traffic information		55	
Penalty regime (late toll invoicing)		42	
Noise		31, 56	

VALIDATING OUR CLAIMS

INDEPENDENT ASSURANCE STATEMENT



To the Board of Directors, Executive, Security holders and Stakeholders of Transurban Limited:

Transurban Limited (Transurban) commissioned URS Australia Pty Ltd (URS) to provide independent assurance of this inaugural *Sustainability Report 2006* (the 'report'). The report presents Transurban's sustainability performance over the period 1st July 2005 to 30th June 2006. Transurban was responsible for the preparation of the report and this statement represents the auditor's independent opinion. URS' responsibility in performing our assurance activities is to the Board and management of Transurban alone and in accordance with the terms of reference agreed with them. Any reliance any third-party may place on the report is entirely at their own risk.

Assurance Objectives

The objective of the assurance process is to provide stakeholders of Transurban with an independent opinion on the materiality, completeness and accuracy of the information presented in the report, and whether Transurban has responded to stakeholder concerns and adequately communicated those responses within the report. This is confirmed through an audit of the claims made, underlying systems, processes and competencies that support the report, as well as the embeddedness of policies and strategies on sustainability. Ensuring continuous improvement in data management systems and associated reporting processes is also a complementary objective.

Assurance Process

Our approach to assurance provision is undertaken using the *AA1000 Assurance Standard*, to which the lead auditor is accredited by the International Register of Certified Auditors. The assurance engagement was undertaken between July and September 2006. The process involved:

- a review of the embeddedness of Transurban's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures, background documentation and data collection and reporting procedures;
- a review of the report for any significant anomalies, particularly in relation to significant claims as well as trends in data;
- a review of results of internal and external stakeholder engagement on stakeholder concerns;
- a review of selected sector peers to determine norms in marketplace, workplace, environment and community performance areas;
- a series of interviews with key personnel responsible for collating and writing various parts of the report in order to substantiate the veracity of selected claims;
- the examination of the aggregation and/or derivation of, and underlying evidence for, over 80 selected data points and statements made in the report. The audited items were broadly selected to not only satisfy the principles of materiality, completeness and responsiveness, but also represented supporting evidence for conclusions reached; and
- a review of selected external media sources relating to Transurban's sustainability performance, so as to further substantiate reported claims and, more importantly, to ensure that no significant omissions were made in the report.

Assurance Limitations

Our scope of work did not involve verification of financial data, other than that relating to environmental, social or broader economic performance. Our observation of stakeholder engagement activities was limited to reviewing internal and external stakeholder engagement processes and outcomes. No other operational sites were visited as part of the assurance engagement other than the Melbourne office and the St. Kilda Road office. The engagement is limited to the majority of performance information being from the CityLink operations in Victoria, and some information from Hills M2 operations in New South Wales acquired in 2005. Some of the reported data is from the operations of Transurban's major road operations contractor – TransLink Operations Pty Ltd (TLO) for CityLink and Bilfinger Berger Services (BBS) for Hills M2 and Westlink Services for Westlink M7.

Our Independence

URS was not responsible for preparation of any part of this report. URS has not undertaken any commissions for Transurban in the reporting period concerning reporting or data collection. However, URS has assisted Transurban on a technical project concerning renewable energy in Transurban assets. Our team's independence was ensured by selecting an assurance team that had no other involvement with Transurban during the reporting period that could impair the team's independence or objectivity. The lead auditor was the Project Director for the renewable energy study, which was nearing completion at the point of undertaking this assurance engagement, and therefore was not considered as having the potential to impair objectivity.

Our Capacity

Our audit team comprised of individuals with expertise in sustainability within the transport sector and in environmental and social performance measurement. Collectively, our audit team working with Transurban has over ten years of combined environmental and sustainability report verification and assurance experience having independently verified or assured over sixty reports. Team members also have specialist audit qualifications, particularly in environmental management. The team is also a global leader in the use of the *AA1000 Assurance Standard* in assurance provision.

Our Opinion

Based on the scope of the assurance process, the following represents the auditor's opinion:

- The findings of the assurance engagement provide confidence in the information reported within the report. The level of data accuracy was found to be within acceptable limits, but additional improvements to data management, including the reduction of manual aggregation and transcription processes are recommended to reduce potential for minor anomalies and mis-statements. Data trails selected were easily identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- The statements made in the report appropriately reflect environmental, social and economic performance achieved during the period.
- All suggested changes were satisfactorily addressed by Transurban prior to finalising the report.



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The Australian SAM Sustainability Index

For information about Transurban's performance in external sustainability ratings announced after the end of the reporting period, please visit www.transurban.com.au

INDEPENDENT ASSURANCE STATEMENT

Overall, the auditor is satisfied that the report is an appropriate representation of Transurban's sustainability performance during the reporting period, based on the limited material sampling approach applied to the assurance engagement.

Conclusions and Recommendations

- **Materiality:** Based on our transport sector experience and the peer review undertaken, we found that issues material to stakeholders have been considered and communicated within the report. Materiality was determined by assessing compliance performance, issues material to stakeholders, policy-related performance and peer-based norms. Accordingly, we found that material environmental, social and broader economic aspects of Transurban's sustainability performance are also appropriately addressed. Managing direct and indirect environmental performance, local impacts of their business, road user concerns, traffic and toll levels, traffic planning, broader economic benefits of the business, quality of relationship and global sustainability issues are considered key issues by stakeholders.
- **Completeness:** The report was found to be complete in addressing key environmental, social and economic performance as well as operations of Transurban, using the Global Reporting Initiative's (GRI) *DRAFT* Sustainability Reporting Guidelines G3 as a guide. The populated GRI index represents reporting best practice. Completeness was also tested using peer-based norms. The key completeness issue for Transurban is to fully integrate other operations in future years, including overseas ventures, which are now forming a material part of the business. It was concluded that whilst the report was not complete in terms of including all operations, it is complete on covering the businesses key sustainability issues.
- **Responsiveness:** URS tested the responsiveness of the organisation through a review of management systems, documents and policies prepared by the organisation relating to the way it responds to stakeholder concerns and interests; by assessing the resources allocated to implement the aforementioned policies and commitments; by assessing the timeliness and accessibility of reported information; and by undertaking a review of key policies, targets and indicators and assessing the extent to which these are implemented by Transurban. The organisation has recently undertaken a comprehensive stakeholder engagement project, which followed internal stakeholder engagement on sustainability related issues some two years ago. Complaint handling mechanisms and organisational response programs were found to be well managed. Engagement with staff around sustainability issues is undertaken through Transurban's Good Company Group and this report presents an excellent opportunity for Transurban to further engage with this key audience on sustainability issues and reporting.

The Way Forward

Globally, to our knowledge, Transurban is one of only four tolling companies to produce a sustainability report, and the first in Australia. This is evidence of Transurban's strength of commitment to the concept of sustainability. The commitment is a result of the organisation's belief that accounting for social and environmental aspects in operations will, in the medium to long-term produce a business case that is undeniable. This belief has resulted in Transurban establishing a Board level committee on Corporate Social Responsibility (CSR) as well as a CSR Management Group. Several strategies relating to sustainability have, or are also being developed, including the environment strategy and the community relations framework. The strategies and management structure developed are starting to yield results such as this report, engagement with stakeholders, energy and water saving initiatives and a project examining the potential for renewable energy in Transurban assets.

Transurban has also demonstrated capacity in community and customer engagement, sponsorships and donations, retaining quality staff and innovation. It is also a company that is focussed on growth. Indeed, managing growth is identified by Transurban as one of its key sustainability challenges; others being public debate on private investment in infrastructure and climate change. Thus, a focus on sustainable development is appropriate. Systems and thinking developed for CityLink are well-positioned to be extended to other assets.

Sustainability though, will continue to present its roadblocks and detours to a business such as Transurban. Whilst it is arguable that greenhouse emissions could be reduced by providing opportunities for improved traffic flow, and removing congestion, others would argue that building additional roads, albeit perhaps better-designed, is not the penultimate solution. The challenge for Transurban is to innovate for the long-term so as to downsize its indirect footprint, providing a competitive advantage that internalises externalities, moving private investments in infrastructure beyond the traditional debate of imposts. Transurban, given its relatively young age and its well-established capacity to look for innovative solutions, is ideally positioned to lead developments in sustainable mobility infrastructure.

The report itself is a significant effort for a relatively small organisation, and we note that the report is an excellent start, although it does have scope for continuing to evolve. Generally, sustainability report sizes are starting to shrink, perhaps because mature reporters are fitting in more per page, as well as due to the increased role of Internet reporting. Our recommendation for Transurban is to look to drive the report to become a communication and educational tool to its staff, shareholders, policy makers, and its community by focussing on comprehensibility. Furthermore, data procedures and systems need to be developed by Transurban for its sustainability indicators, and the report needs to continue to incorporate more recent infrastructure acquisitions.

The auditor has provided additional suggestions for reporting improvement in some areas, including a *System Diagnostic Audit* in early 2007 in preparation for next year's reporting cycle. These have been outlined in a more detailed report to be presented to the Transurban Board and executive.

On behalf of the audit team
3rd October 2006
Melbourne, Australia



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