AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION REGULATORY GUIDE 231:
Infrastructure entities: Improving disclosure for retail investors

Transurban

BENCHMARKS

Benchmark 1: Corporate structure and management			
	Statement	**Explanation**	**Reference**
The infrastructure entity's corporate governance policies and practices conform with the principles and recommendations in GN 9A.	The benchmark is met.	Not applicable.	For additional disclosure on this benchmark, refer to Transurban's annual Corporate Governance Statement and Appendix 4G.
Benchmark 2: Remuneration of management			
	Statement	**Explanation**	**Reference**
Incentive-based remuneration paid to Transurban management is derived from the performance of Transurban.	The benchmark is met.	Not applicable.	For additional disclosure on this benchmark, refer to the Remuneration Report in the Transurban Annual Report.
Benchmark 3: Classes of units and shares			
	Statement	**Explanation**	**Reference**
All units or shares are fully paid and have the same rights.	The benchmark is met.	Not applicable.	For additional disclosure on this benchmark, refer to the Statement of Changes in Equity note in the Transurban Annual Report.
Benchmark 4: Substantial related party transactions			
	Statement	**Explanation**	**Reference**
The infrastructure entity complies with ASX Listing Rule 10.1 for substantial related party transactions.	The benchmark is met.	Not applicable.	For additional disclosure on this benchmark, refer to the Related Party Transactions note in the Transurban Annual Report.

Benchmark 5: Cash flow forecast			
	Statement	**Explanation**	**Reference**
The infrastructure entity has, for the current financial year, prepared and had approved by its directors: • A 12-month cash flow forecast for the infrastructure entity and has engaged an independent, suitably qualified person or firm to provide, in accordance with the auditing standards: ○ Negative assurance on the reasonableness of the assumptions used in the forecast; and ○ Positive assurance that the forecast is properly prepared on the basis of the assumptions and on a basis consistent with the accounting policies adopted by the entity; • An internal unaudited cash flow forecast for the remaining life, or the right to operate (if less), for each new significant infrastructure asset acquired by the infrastructure entity.	The benchmark is not met.	The 12-month cash flow forecast for the current financial year has been prepared by management and approved by the Board. Transurban does not believe it is appropriate for an independent third party to review this proprietary information. The following contribute to the quality of cash flow forecasting: • Expert analysis of traffic patterns; • Fixed price operations contracts; • A significant proportion of all interest rates fixed; • A budget process with multiple levels of review and points of control; • Executive Committee review of Transurban Group forecast and budget; and • Board review of Transurban Group forecast and budget. Transurban has cash flow forecasts for the remaining life of all its assets that are updated at least annually.	Not applicable.

Benchmark 6: Base-case financial model			
	Statement	**Explanation**	**Reference**

Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the infrastructure entity's base-case financial model that:
• Checks the mathematical accuracy of the model, including that:
  ○ The calculations and functions in the model are in all material respects arithmetically correct; and
  ○ The model allows changes in assumptions, for defined sensitivities, to correctly flow through to the results; and
• Includes no findings that would, in the infrastructure entity's opinion, be materially relevant to the infrastructure entity's investment decision.
	The benchmark is met.	Transurban has internal capabilities that maintain its financial models.
		
		The base-case financial model has been reviewed by an assurance practitioner in the last three years and prior to any new material transaction. There have been no adverse findings.
			Not applicable.

Benchmark 7: Performance and forecast			
	Statement	**Explanation**	**Reference**
For any operating asset developed by the infrastructure entity, or completed immediately before the infrastructure entity's ownership, the actual outcome for the first two years of operation equals or exceeds any original publicly disclosed forecasts used to justify the acquisition or development of the asset.	This is not applicable as Transurban has not publicly disclosed any assumptions or forecasts.	Not applicable.	Not applicable.

Benchmark 8: Distributions			
	Statement	**Explanation**	**Reference**
If the infrastructure entity is a unit trust, it will not pay distributions from scheme borrowings.	The benchmark is met.	Since 2008 Transurban's policy is for distributions to be approximately 100 per cent covered by free cash. Transurban's free cash definition does not allow the distribution of scheme borrowings.	Not applicable.
Benchmark 9: Updating the unit price			
	Statement	**Explanation**	**Reference**
If the infrastructure entity is unlisted and a unit trust, after finalising a new valuation for an infrastructure asset, the infrastructure entity reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.	This is not applicable as Transurban is not an unlisted unit trust.	Not applicable.	Not applicable.

DISCLOSURE PRINCIPLES

Disclosure Principle 1: Key relationships

All relevant relationships are fully disclosed in the Transurban Annual Report. All related parties are disclosed in the Related Party Transactions note in the Transurban Annual Report, and the Corporate Governance Statement details the operation of Transurban's governance practices and policies.

As noted in the Transurban Annual Report, Transurban is undertaking several development projects. All relevant relationships operate under normal commercial terms.

Disclosure principle 2: Management fees

There are no management fees or performance fees payable by Transurban.

Disclosure principle 3: Related party transactions

Related party transactions are disclosed in the Related Party Transactions note in the Transurban Annual Report.

Disclosure principle 4: Financial ratios

Transurban seeks to maintain strong investment grade credit metrics. Transurban focuses on two principal measures, which are used to inform debt serviceability, gearing, and compliance with Transurban's financial covenants. The two measures are:

- Senior interest coverage ratio (SICR) is used as a measure of debt serviceability and is defined in Transurban's finance documents. It measures the number of times cash available for debt service covers interest payments; and
- Funds from operations/debt (FFO/debt) is used as a proxy for gearing. It measures the adjusted cash flow of the Transurban Group as a percentage of the debt held by the Group.

At 30 June 2017, Transurban's measure on each metric was as follows:

- SICR 3.9 times
- FFO/debt 8.6 %[1]

At 30 June 2017, Transurban was ascribed strong investment grade credit ratings by each of the credit rating agencies as follows:

- S&P – BBB+ (stable outlook)
- Moody's – Baaa1 (stable outlook)
- Fitch – A- (stable outlook)

[1] Note: Calculated based on S&P methodology.

Disclosure principle 5: Capital expenditure and debt maturities

Capital expenditure:

Capital commitments are disclosed in the Commitments note and the Equity Accounted Investments note in the Transurban Annual Report.

Debt maturities:

The tables below summarise the effective currency of Transurban's drawn and undrawn debt on a proportional basis.

As at 30 June 2017:

AUD	Drawn ($000's)	Undrawn ($000's)	Total ($000's)	% of variable interest rate risk	Weighted average interest rate	% of debt that is not limited recourse to a particular asset (ring-fenced)	Fully amortising or principal and interest payments
Up to 1 year	906,732	425,156	1,331,888	0%	3.7%	51%	Principal repaid at maturity
Between 1 and 2 years	991,736	355,999	1,347,735	0%	5.6%	49%	Principal repaid at maturity
Greater than 2 years	8,043,932	580,051	8,623,983	1%	5.0%	42%	Principal repaid at maturity
Total	**9,942,400**	**1,361,206**	**11,303,606**	**0%**	**4.9%**	**44%**	

USD	Drawn ($000's)	Undrawn ($000's)	Total ($000's)	% of variable interest rate risk	Weighted average interest rate	% of debt that is not limited recourse to a particular asset (ring-fenced)	Fully amortising or principal and interest payments
Up to 1 year	-	-	-	n/a	n/a	n/a	n/a
Between 1 and 2 years	25,000	-	25,000	100%	2.2%	100%	Principal repaid at maturity
Greater than 2 years	2,542,220	-	2,542,220	0%	4.3%	38%	Principal repaid at maturity
Total	**2,567,220**	**-**	**2,567,220**	**1%**	**4.3%**	**39%**	

Note: Foreign denominated borrowings are converted at the hedge rate where cross currency swaps are in place. Interest rates are shown as the weighted average rate (after hedging) of the drawn debt.

Disclosure principle 6: Foreign exchange and interest rate hedging
Transurban's foreign exchange and interest rate hedging policy and exposures are disclosed in the Financial Risk Management note in the Transurban Annual Report.
Disclosure principle 7: Base-case financial model
The key assumptions used in producing the base-case financial model are traffic, operating costs and financing costs. Traffic assumptions are based upon historical observations, demographics and economic growth forecasts. Operating costs are escalated in line with a combination of Consumer Price Index and Average Weekly Earnings forecasts. Financing costs are based on the long-term cost of borrowings.
Disclosure principle 8: Valuations
Transurban's Concession Assets represent Transurban's right to operate roads under Service Concession Arrangements. Concession Assets constructed by Transurban are recorded at the fair value of consideration received or receivable for the construction services delivered. Concession Assets acquired by Transurban are recorded at the fair value of assets at the date of acquisition. Transurban carries the Concession Assets at historical cost and does not revalue them periodically. However, Transurban does test whether the Concession Assets have suffered any impairment.
Disclosure principle 9: Distribution policy
Transurban's distribution policy is to pay distributions from free cash flow.
Disclosure principle 10: Withdrawal policy
This is not applicable as Transurban is a listed entity.
Disclosure principle 11: Portfolio diversification
Transurban does not have a specific diversification policy; however, Transurban has a rigorous process to assess new or potential investments to ensure they are value accretive. Transurban's investments are geographically diverse (assets in Victoria, New South Wales, Queensland and Virginia) and at various stages of their life cycle (under construction, ramp up, mature).