



Friday, 23 March 2018

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

**2017 Annual Report and Corporate Governance Statement**

I enclose the 2017 Annual Report and Corporate Governance Statement.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "A. Finley".

**Alexandra Finley**  
**Company Secretary**

## **SPARK INFRASTRUCTURE GROUP**

### **Corporate Governance Statement**

#### **BACKGROUND**

Spark Infrastructure comprises a single listed Trust (of which Spark Infrastructure RE Limited is the Responsible Entity).

Spark Infrastructure securities consist of a unit in the trust stapled to a loan note, which trade on the ASX effectively as one security.

While Spark Infrastructure is a listed trust, a Governance Deed is in place within the Group that applies certain governance arrangements consistent with those of a public listed company and adapted as appropriate to a self-managed ASX listed fund. The Board of Spark Infrastructure RE Limited operates as the Board of the listed entity and the management team operates across the Group.

#### **CORPORATE GOVERNANCE**

The Board is responsible for Spark Infrastructure's corporate governance, including its policies and charters.

Spark Infrastructure's corporate governance charters and policies are available in the "Governance" section of the Spark Infrastructure website at [www.sparkinfrastructure.com/about/corporate-governance/governance-documents](http://www.sparkinfrastructure.com/about/corporate-governance/governance-documents) and are regularly reviewed by the Board. The key elements of Spark Infrastructure's governance framework are set out below. Spark Infrastructure has set out its governance framework with reference to the revised ASX Corporate Governance Council's Principles and Recommendations (3<sup>rd</sup> edition) ("**ASX Recommendations**").

#### **THE ROLE OF THE BOARD AND MANAGEMENT**

Spark Infrastructure has adopted a Board Charter which sets out the functions and responsibilities of the Board. The role of the Board is to seek to optimise Spark Infrastructure's performance and increase Securityholder wealth. The Board seeks to achieve this role within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board's responsibilities include monitoring financial performance and prudent capital management, overseeing the activities of Spark Infrastructure and its policies and practices, overseeing the operation of Spark Infrastructure's system of internal controls and risk management, monitoring the performance of the Managing Director, and reporting to Securityholders, setting criteria for nomination as a director, reviewing Board composition and succession planning, and developing and monitoring diversity objectives.

The Board has delegated responsibility for the conduct of the business of Spark Infrastructure to the Managing Director, but remains responsible for overseeing the performance of management and also retains some non-delegable responsibilities. The responsibilities retained by the Board includes the following.

- appointment of the Chairman
- appointment and removal of the Managing Director
- appointment of directors to fill a vacancy or as an additional director
- establishment of Board committees and delegated authorities
- approval of distributions
- approval of major capital expenditure and acquisitions

The Board has established delegated limits of authority, which define the matters that are delegated to management and those which require Board approval. The policies and delegated limits of authority are regularly reviewed.

In reviewing the functions of the Board and the Committees during 2017, the Board determined that it would resume the 'nomination' functions previously carried out by the Remuneration and Nomination Committee and that going forward these functions would be undertaken by the Board. The Board confirmed the delegation of the remuneration functions to the Remuneration Committee. As a result, the Board is responsible for succession planning matters, and for ensuring that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. These responsibilities and procedures are set out in the Board Charter available on the Spark Infrastructure website.

## **COMPOSITION AND EXPERTISE OF THE BOARD**

The current composition of the Board is set out below:

- Doug McTaggart – Chairman and independent non executive director
- Andrew Fay – Independent non executive director
- Anne McDonald – Independent non executive director
- Greg Martin – Independent non executive director
- Karen Penrose – Independent non executive director
- Rick Francis – Managing Director

Keith Turner and Christine McLoughlin were also independent non executive directors of the Board during 2017 until their retirement on 23 May 2017 and 15 October 2017 respectively.

The Board Charter requires that the Board comprise a majority of independent directors. The role of the Chairman is not combined with the Managing Director and may not be so under the Board Charter.

The directors bring a broad range of expertise, skills and experience from diverse backgrounds including those appropriate to the activities of Spark Infrastructure. The composition of the Board provides an appropriate balance of skills and experience with the additional rigour and assurance provided by a majority of independent directors. Each Director brings skills relevant to the successful conduct of the Spark Infrastructure business including effective oversight of Spark Infrastructure's investment in regulated electricity distribution and transmission businesses in Australia (comprised of Victoria Power Networks (i.e., CitiPower and Powercor), SA Power Networks and TransGrid). These include, on a combined basis, experience in infrastructure and utility-style assets, financial analysis and reporting skills, knowledge of the energy sector, operational understanding of the investment businesses, experience in corporate activity such as mergers, acquisitions and structuring of transactions, experience in corporate governance and disclosure matters, and experience in financial services and licence obligations. The qualifications, experience and special responsibilities of directors, together with their appointment dates, are set out in the Directors' Report at pages 39-41 of the 2017 Annual Report.

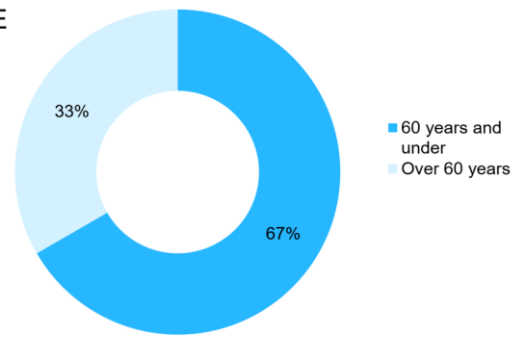
Spark Infrastructure has prepared a skills matrix identifying the key categories of skills, expertise and diversity that the Spark Infrastructure Board currently has. The skills matrix is set out below.

<b>Skills and experience</b>	<b>Total Directors (out of 6)</b>
<b>Executive leadership</b> Significant business experience at a senior executive level	6 directors
<b>Financial analysis, risk management and reporting</b> Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls or risk management	6 directors
<b>Strategy and corporate activity</b> Experience in identifying, developing and implementing a successful strategy and developing an asset or investment over the long term	5 directors
<b>Corporate governance and regulatory</b> Experience with an organisation that is subject to comprehensive governance and regulatory standards	6 directors
<b>Health, safety and environment</b> Good working understanding of workplace health and safety, environmental and social responsibility matters	3 directors
<b>Remuneration and People</b> Board Remuneration Committee membership or management experience in relation to managing people and remuneration, including incentive arrangements and the legislative framework governing employees and remuneration	6 directors
<b>Infrastructure, industry and sector experience</b> Senior executive or Board level experience in the infrastructure industry, including in-depth knowledge of the Group's strategy, markets, competitors, operational issues, technology and regulatory concerns	6 directors
<b>Financial services industry</b> Senior executive or Board level experience in the financial services industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	6 directors

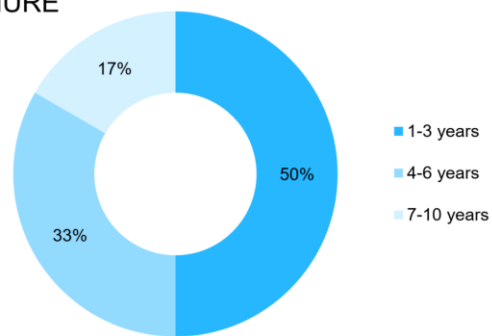
The Board considers that it has the appropriate mix of skills and experience to enable it to discharge its responsibilities. The skills matrix continues to be reviewed and updated as appropriate and is a key aspect of Spark Infrastructure's succession planning process.

In addition to the above skills and experience, the Board aims to have a broad and diverse membership, with a view to Directors bringing different perspectives to Board discussions. The following diagrams show the diversity in industry experience, tenure and gender that the Board currently has:

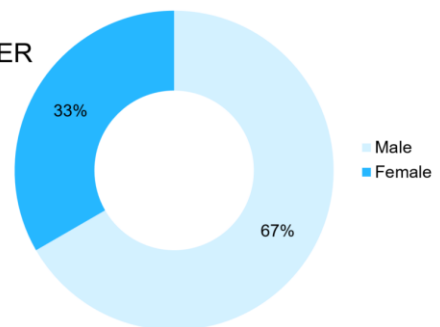
AGE



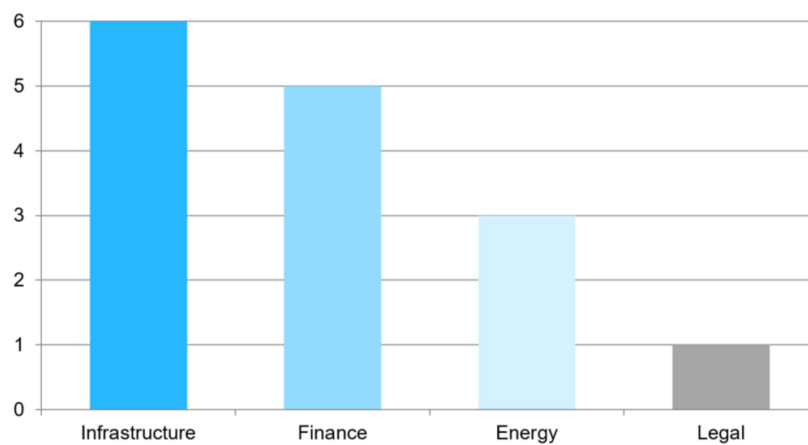
TENURE



GENDER



INDUSTRY EXPERIENCE



As in past years, the Board supported by the Remuneration and Nomination Committee (as it was then called), assessed the composition of the Board in light of its Board skills matrix and succession planning generally. Consistent with this approach, Greg Martin joined the Board as an independent non executive Director on 1 January 2017. As noted in the 2016 Corporate Governance Statement, Mr Martin has over 35 years' experience in sectors relevant to Spark Infrastructure's operations and the Board is confident that Mr Martin's appointment will enhance and compliment the composition of the Board. In addition, the Board considers that it continues to be the right size to discharge its roles and responsibilities, even with Keith Turner and Christine McLoughlin retiring from the Board during 2017. The Board remains confident that the mix of skills and experience across the Board is appropriate and well equipped to carry out the functions of the Board.

## **INDEPENDENCE OF DIRECTORS**

Spark Infrastructure has adopted the definition of independence set out in the ASX Recommendations. Spark Infrastructure believes that all of its non executive directors are independent, bring an independent judgement to bear on issues before the Board and act independently in the best interests of Spark Infrastructure and its Securityholders generally.

Each director regularly notifies and discloses to the Board their interests including any matter relating to their independence. Directors' security holdings are set out in the Directors' Report at pages 74 and 99 of the 2017 Annual Report.

The Board operates independently of management and the directors meet independently of management from time to time, as deemed appropriate.

The non executive directors are identified above and full details including their term as a director are set out in the Directors' Report at pages 39-41 of the 2017 Annual Report.

## **APPOINTMENT AND RE-ELECTION OF BOARD MEMBERS**

The Board of Spark Infrastructure has a Remuneration Committee to assist it with the appointment and re-election of Board members. More information on the Remuneration Committee is set out below.

In addition, Spark Infrastructure has a Governance Deed which provides for Securityholders to elect the directors to the Board. Where the requirement to appoint a director arises or a vacancy exists, the Board identifies candidates with the appropriate skills, expertise and experience to fulfil the role. The Board may use external consultants to assist it. Appropriate background checks are undertaken before appointing a person, or putting forward to Securityholders a candidate for election, as a director. Once this process has been carried out, the final nominated candidate is then appointed by the Board but must stand for election by Securityholders at the next annual general meeting. All information material to the decision on whether to elect or re-elect a director is provided to Securityholders in the relevant Notice of Meeting.

The process for re-election of a director is in accordance with the company's constitution and Governance Deed which includes a process of rotation requiring that, at each annual general meeting, any director holding office for three years or more or, if no director is due to stand for re-election, the longest serving director, must retire and stand for re-election. Directors appointed during the year must also retire and stand for election. The Board assesses the performance of each director due to stand for re-election before each annual general meeting and decides whether to recommend to Securityholders that they vote in favour of the re-election of each director. Spark Infrastructure provides Securityholders with all material information in its position relevant to a decision on whether or not to elect or re-elect a director.

Spark Infrastructure has letters of appointment with its directors that set out the key terms and conditions of appointment. The letter of appointment states that, with the approval of the Chairman, directors may

seek independent professional advice at the expense of Spark Infrastructure, on any matter connected with the discharge of a director's responsibilities as a member of the Board.

Further details of the nomination and appointment process are set out in Spark Infrastructure's Board Charter which is available on the Spark Infrastructure website.

## **BOARD MEETINGS**

The number of Board and committee meetings and directors' attendance at each meeting is set out in the Directors' Report at page 74 of the 2017 Annual Report. Directors are expected to devote appropriate time in preparing for each meeting and to attend and participate at scheduled Board and committee meetings. Directors are also invited to attend site visits of the investment businesses. The Board may also hold meetings of directors at the location of its investments to provide directors with access to management of the investment businesses.

## **PERFORMANCE OF THE BOARD, COMMITTEES AND INDIVIDUAL DIRECTORS**

Under the Board Charter, the Board is required to review its own performance, the performance of individual directors, and the performance of Board committees at least annually.

In accordance with the Charter, the Board conducts an annual evaluation of the performance and effectiveness of the Board as a whole and each of its committees.

The Board assesses its own performance against its obligations under the Board Charter, through the use of self-assessment questionnaires and Board skills matrices. From time to time, the Board may engage an external consultant engaged to assist the Board with its performance evaluation.

Performance of each committee is discussed at first instance by the Committee with the results reported to and reviewed by the Board as part of its overall Board performance assessment. Evaluation results are submitted confidentially to the Company Secretary or external consultant (as appropriate) and the aggregate results are reported to the Chairman for review and discussion with the Board. The Chairman separately discusses individual performance with each director from time to time. The Chairman's performance is evaluated as part of the Board's performance review.

In accordance with the processes described above, in 2017, the Board conducted an internal evaluation of the performance and effectiveness of the Board as a whole, each of its committees and each individual director.

Further details regarding the performance assessment process are available on the Spark Infrastructure website.

## **INDUCTION AND CONTINUING EDUCATION**

The Board, together with management, provides an orientation program for new directors, including discussions with management and the provision of relevant material. Spark Infrastructure also provides appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to effectively perform their role as directors. Management present to the Board from time to time to afford directors the opportunity to understand specific issues and their impact on the business. Directors also independently maintain their own knowledge and specific skills. Directors have unfettered access to management.

## **ROLE OF THE COMPANY SECRETARY**

The Company Secretary of Spark Infrastructure provides support and advice to the Board and is responsible for the corporate governance framework on a day to day basis. The Company Secretary has a direct reporting line to the Chairman of the Board and is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

## **PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

Spark Infrastructure is committed to high standards of ethics and conduct on the part of its directors and employees. Spark Infrastructure has established a Code of Conduct that applies to directors, employees and contractors. The Code clearly outlines the responsibilities of people working for the Group and includes matters such as, people and safety, environment and the community. The Code provides clear direction as to how to report a concern and outlines the consequences of breaching the Code. The Code of Conduct can be found on the Spark Infrastructure website.

## **CONFLICTS OF INTEREST AND TRADING POLICY**

Spark Infrastructure's Code of Conduct requires directors and employees to avoid conflicts of interest and where a conflict arises to ensure it is appropriately disclosed. Directors are expected to avoid any matter that conflicts with an interest of Spark Infrastructure. Directors are required to disclose their material personal interests relating to Spark Infrastructure including any matter that may conflict with their duties as a director of the Board. This is an ongoing obligation. Directors comply with the provisions of the Corporations Act 2001 (Cth) regarding matters of material personal interest.

In addition, directors and employees are subject to the Corporations Act 2001 (Cth) restrictions on dealing in securities if they are in possession of inside information. Spark has also adopted a Trading Policy which applies to directors and employees of Spark Infrastructure. Directors and employees are prohibited from trading in Spark Infrastructure securities during prescribed blackout periods prior to release of the Spark Infrastructure half year and full year results announcements. In addition, key management personnel, including directors, and other relevant persons are required to notify their intention to trade in securities prior to trading at other times outside the blackout periods. Spark Infrastructure's Trading Policy is available on Spark Infrastructure's website.

## **BOARD AND COMMITTEE OPERATIONS**

To assist it to carry out its responsibilities the Board has established an Audit, Risk and Compliance Committee and a Remuneration Committee.

The Board has adopted charters setting out the requirements regarding membership of each committee, responsibilities and other administrative matters. Further details regarding each of these committees are set out below.

### **AUDIT, RISK AND COMPLIANCE COMMITTEE**

In accordance with the ASX Recommendations, Spark Infrastructure's Audit, Risk and Compliance Committee comprises three independent director members, and is chaired by an independent director who is not the Chairman of the Board. There are no executive members of the Committee.

The current members of the Audit, Risk and Compliance Committee are Karen Penrose (Chair), Anne McDonald and Andrew Fay. The skills, experience and qualifications of Audit, Risk and Compliance Committee members are set out in the Directors' Report (in the 2017 Annual Report), including their financial proficiency. Attendance by Committee members at the Audit, Risk and Compliance Committee meetings are disclosed on page 74 of the Directors' Report (in the 2017 Annual Report).



The Audit, Risk and Compliance Committee's role is to assist the Board in discharging its responsibilities and duties in relation to the specific matters set out in its Charter, which includes responsibility for:

- the oversight of management in the preparation of the financial statements and financial disclosures;
- recommending the selection, evaluation and remuneration of the external auditor to the full Board, together with assessment of the external auditor's independence;
- ensuring that the audit partner rotates every five years (or up to a further two years extension approved by the Board) in accordance with the External Auditor procedures approved by the Board; and
- assessing the performance of the internal audit function and its independence from management.

The Committee meets with the external auditor without management present at least twice a year to allow an opportunity to discuss any matters that the Committee or the external auditor believes should be discussed privately. In addition, the Committee meets at least annually with the internal auditor independently of management to discuss any matters that the Committee or internal auditor feel require discussion.

Whilst the Board is responsible for overseeing the processes in place to manage risk, it has delegated the detailed performance of this function to the Audit, Risk and Compliance Committee. The Committee and the Board have both approved Spark Infrastructure's Risk Management Policy. Further details in relation to risk management are set out in Note 22 to the Financial Statements.

The Audit, Risk and Compliance Committee Charter, the External Audit Policy, and a summary of Spark Infrastructure's Risk Management Policy, are available on the Spark Infrastructure website.

## **REMUNERATION COMMITTEE**

In accordance with the ASX Recommendations, the Remuneration Committee Charter provides that the Committee must consist only of non-executive directors with a minimum of three members, the majority being independent directors and an independent director as Chair. Spark Infrastructure's remuneration decision making framework which includes the role and responsibilities of the Remuneration Committee is summarised in the Remuneration Report (on page 54 of the 2017 Annual Report), and a copy of the Remuneration Committee Charter is available on the Spark Infrastructure website.

In its regular review of the Committee in 2017, the Board determined that the 'nomination' function previously carried out by the Committee would revert to the Board, and that the Committee would retain its 'remuneration' responsibilities. The Board and Committee Charters have been updated accordingly and are available on the Spark Infrastructure website.

The current members of the Remuneration Committee are Anne McDonald (Chair), Doug McTaggart and Greg Martin. Details regarding the skills and experience of the Committee members are set out on pages 39-41 of the Directors' Report (in the 2017 Annual Report) and the directors' attendance at meetings of the Committee are set out on page 74 of the Directors' Report (in the 2017 Annual Report).

## **CONTINUOUS DISCLOSURE**

Spark Infrastructure seeks to ensure that Securityholders and the financial markets generally are informed of all major developments that impact its business. The Board has established a Disclosure Policy which is available on the Spark Infrastructure website. Spark Infrastructure's Disclosure Policy together with supporting procedures are designed to ensure compliance with ASX Listing Rule 3.1 and other related laws and regulations, compliance with Corporations Act requirements for financial reporting and Securityholder meetings, and for prompt and transparent communications in all respects, especially with regard to financial results.

## **COMMUNICATING WITH SECURITYHOLDERS**

Spark Infrastructure aims to communicate openly, honestly and on a timely basis with its Securityholders. Spark Infrastructure has developed a Communication Policy. Spark Infrastructure's website also contains information designed to assist Securityholders to understand Spark Infrastructure, and its governance, and to keep abreast of latest developments. All ASX announcements are posted on the Spark Infrastructure website, as are web-casts of briefings to analysts and annual general meetings. Spark Infrastructure's Communication Policy is available on Spark Infrastructure's website. Securityholders have the option to receive communications from, and send communications to, Spark Infrastructure and its security registry electronically.

Spark Infrastructure has designed and implemented an investor relations program to facilitate effective two-way communications with investors. Through its investor relations program, Spark Infrastructure aims to allow investors to gain a greater understanding of its business, governance, financial performance and prospects. Spark Infrastructure seeks to provide opportunities for investors to express their views on matters of concern or interest. Those ideas are distilled and communicated to the Board where appropriate.

In particular, Spark Infrastructure conducts an annual general meeting (AGM) each year, usually in May, in accordance with the Governance Deed. Spark Infrastructure encourages Securityholders to attend the AGM to hear from directors and management and to consider resolutions that are put forward for their consideration. Spark Infrastructure's AGM is also an opportunity for Securityholders to ask questions of Spark Infrastructure's external auditor, who attends each AGM.

## **REMUNERATION OF DIRECTORS**

The Remuneration Committee supports and advises the Board on remuneration and remuneration related matters as set out in its Charter, which can be found on the Spark Infrastructure website. The maximum aggregate fees payable to directors is \$2,000,000 per annum. Any increase to this limit must be approved by Securityholders at a general meeting.

Spark does not have an equity compensation scheme in place for its independent non executive directors and there are no retirement benefit schemes in existence (other than statutory superannuation). The directors' fees are reviewed from time to time by the Board and the directors seek external advice to ensure the fees remain appropriately benchmarked. Fees and payments to directors reflect the demands and responsibilities of directors.

The remuneration of each director and the Board remuneration policy are set out in the Remuneration Report.

## **APPOINTMENT, PERFORMANCE AND REMUNERATION OF SENIOR EXECUTIVES**

Spark Infrastructure has written agreements with each of its senior executives, including the Managing Director, setting out the key terms of their appointment.

The Board undertakes an annual assessment of senior executive performance with the assistance of the Managing Director and the Remuneration Committee. Senior executives are assessed against group and individual performance targets. The overall performance of Spark Infrastructure, the senior executive's function and the individual performance of the executive are considered in assessing performance.

The Board separately reviews the performance of the Managing Director at least annually. The Chairman conducts a one on one interview with the Managing Director assessing performance against agreed key

performance indicators. The Board then considers the results and the performance of the Managing Director as a whole, and discusses the outcome of the review with the Managing Director.

The senior executive and Managing Director evaluation process has taken place in respect of FY2017 in accordance with the process outlined above.

Details regarding the remuneration framework of Spark Infrastructure, including an explanation of how senior executives' remuneration is tied to Spark Infrastructure's performance, are set out in the Remuneration Report. A Clawback Policy applies to remuneration granted under the Short Term and Long Term Incentive Plans. The Policy allows the Board to clawback remuneration granted under the Short Term and Long Term Incentive Plans if subsequent events show that a reduction is appropriate, for example, in the event of fraud or dishonesty by the particular executive.

Consistent with the requirements of the Corporations Act and Spark Infrastructure's Trading Policy, available on Spark Infrastructure's website, senior executives are prohibited from entering into hedging arrangements or other transactions in financial products that operate to limit the economic risk associated with their entitlements under the Group's remuneration schemes.

## DIVERSITY

Spark Infrastructure believes that a diverse Board and management team allows it to be more innovative, flexible and to better respond to the needs of Securityholders and all stakeholders. Diversity generally, including gender diversity, continues to be a focus for Spark Infrastructure and is evident in the high representation of women across the organisation. As at 31 December 2017, 40% (i.e., 2 of 5) of non-executive directors on the Board are women and women are well represented at the senior executive level, with women comprising 25% of Senior Management. (For these purposes, 'Senior Management' is defined as the Managing Director and direct reports to the Managing Director.) As at 31 December 2017, across the Spark Infrastructure Group 50% of the workforce are women.

Spark Infrastructure is committed to ensuring the composition of its Board is appropriate. The Board Charter requires that the Board is comprised of directors with a broad range of skills, experience and diversity including gender diversity. The Board has a Diversity Policy which can be found on the Spark Infrastructure website. The Diversity Policy requires the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and Spark Infrastructures progress towards achieving them.

Spark Infrastructure has established a set of measurable objectives a summary of which is set out below together with performance against those objectives.

- Maintain a Diversity framework taking into consideration the size and structure of Spark Infrastructure and incorporating the diversity objectives of its investment businesses.

Spark Infrastructure has a Diversity framework in place and receives reporting from the investment businesses on achievements against their own diversity objectives.

- Support the investment businesses in their development of diversity policies.

Each of the investment businesses produce regular diversity reports which outline diversity objectives and achievement against those objectives. Details of the diversity achievements and policies of the investment businesses can be found in Spark Infrastructure's Sustainability Report found on the Spark Infrastructure website at [www.sparkinfrastructure.com/sustainability](http://www.sparkinfrastructure.com/sustainability).

- Clarify responsibility and accountability for diversity objectives at a Board and senior management level.

The Managing Director is responsible for all matters relating to staff including diversity objectives within Spark Infrastructure. The CEOs of each investment business are responsible for diversity objectives within their businesses. The Board has oversight of the review of performance against diversity objectives. The Board is responsible for the recommendation of directors to Securityholders for voting at the AGM.

- Spark Infrastructure aims to have 25% representation of senior management who are women.

As at 31 December 2017, Spark Infrastructure has 25% of senior management who are women.

- Spark Infrastructure aims to have 50% representation of non-executive directors who are women.

As at 31 December 2017, 40% (i.e., 2 of 5) of the non-executive directors on the Spark Infrastructure Board are female.

- Ensure that policies and procedures and Spark's culture reflect the Group's position on diversity.

Spark has an equal opportunity recruitment policy and its human resources policies support flexible work practices.

The Board reviews its Diversity Policy and these objectives at least annually.

Further details regarding Spark's investment businesses' commitment to diversity can be found in the Company's 2017 Sustainability Report, which highlights Victoria Power Networks, SA Power Networks and TransGrid's focus on promoting diversity, equal opportunities for all employees and non-discrimination practices. The 2017 Sustainability Report can be found on the Company website at [www.sparkinfrastructure.com](http://www.sparkinfrastructure.com).

## **RISK MANAGEMENT**

The Board recognises that effective management of risk is essential to good corporate governance. Equally, the Board appreciates that, in order to maximise shareholder value, maintaining a sensible risk appetite for pursuing investment and business development opportunities is necessary and appropriate. Implementing a risk management framework that balances these concerns is a priority for the Board.

As noted above, the Board has delegated responsibility to the Audit, Risk and Compliance Committee for the oversight of the Group's risk profile and risk management within the risk appetite set by the Board. The Committee reviews the Group's risk management framework at least annually to satisfy itself that it continues to be sound. A review of this kind was carried out during the reporting period to 31 December 2017. Further details on the Audit, Risk and Compliance Committee are set out above and a summary of Spark Infrastructure's Risk Management Policy is available on Spark Infrastructure's website.

Spark Infrastructure maintains a "Risk Matrix" which documents the following:

- description of risks impacting the business;
- assessment of the likelihood that the risks will arise;
- assessment of the impact on or consequence to the business if the risk arises;
- assessment of controls in place to manage the identified risk;
- overall evaluation of the assessed risks; and
- identification of potential "unacceptable" risks and agreed treatment.

The Risk Matrix is reviewed at least annually and updated when necessary.

Spark Infrastructure's commitment to sustainability is driven by our Board and the Boards of our investment businesses. Spark Infrastructure's Sustainability approach is set out on pages 30 to 35 of the Annual Report and in the 2017 Sustainability Report.

Spark Infrastructure's sustainability efforts and strategies are the primary responsibility of the businesses in our investment portfolio. Spark Infrastructure does not itself have any direct material exposure to economic, environmental or social sustainability risks. However, Spark Infrastructure works with our partners to support the sustainability goals and detailed planning and work of our investment businesses and through our governance structures, directly influence, monitor and review their sustainability strategy and outcomes. Spark Infrastructure's detailed governance structure is set out in our 2017 Sustainability Report found on the website.

Spark Infrastructure is directly represented and actively participates on the boards of each of our investment portfolio companies where we oversee business operations, review and monitor performance including the management of environmental, social and governance risks. Through Risk Management and Environmental, Health and Safety Committees we provide leadership and support the work of management teams. The Committees review and monitor performance and effectiveness of our businesses' policies, plans, systems and governance structures in relation to health, safety and the environment including their response to climate change.

Our investment businesses actively and diligently manage their material exposure to environmental risks, contributing to environmental sustainability. Further details on the operation of the investment businesses can be found on the Spark Infrastructure website at [www.sparkinfrastructure.com](http://www.sparkinfrastructure.com).

Spark Infrastructure's investment businesses are central to a low carbon energy future and the long term sustainability of the Australian economy. Together with our investment businesses, Spark Infrastructure plays an important and valuable role in the transformation of the energy sector from being reliant on coal-fired generation to renewable distributed generation over time. This transformation is being driven by new technology, innovation and the move to consumer choice, and our investment businesses are at the forefront of these developments.

Spark Infrastructure's detailed 2017 Sustainability Report can be found on the Company website at [www.sparkinfrastructure.com](http://www.sparkinfrastructure.com).

Spark manages its financial risks through the use of financial instruments as set out on pages 102 to 104 (i.e., Note 22) of the Notes to the Financial Statements (in the 2017 Annual Report).

The Audit, Risk and Compliance Committee has access to management and the internal and external auditors to ensure that the Committee is able to effectively assess the overall adequacy and effectiveness of Spark Infrastructure's legal, regulatory and ethical compliance programs.

As part of Spark Infrastructure's risk management framework, the Board requires management to design and implement a risk management and internal control system to manage the company's material business risks and to report to it on whether those risks are being managed effectively. Management reports to the Board at least annually on the effectiveness of Spark Infrastructure's management of its material business risks.

Pursuant to Recommendation 4.2 of the ASX Recommendations, prior to approving Spark Infrastructure's financial statements for each half year and the full year, the Board received declarations from the Managing Director and Chief Financial Officer that Spark Infrastructure's financial records have been properly maintained and that the financial statements comply with the relevant Accounting Standards and give a true and fair view of the financial position and performance of Spark Infrastructure, and that these opinions have been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## **INTERNAL AUDIT**

Spark Infrastructure has an internal audit function which is outsourced to KPMG. The internal audit function is managed by the Head of Finance who is responsible for internal audit and reports to the Audit, Risk and Compliance Committee and the CFO.

The role of the internal audit function is to provide the Board and management with an independent assessment on the effectiveness and opportunities for continual improvement of the Group's risk management and internal control policies and procedures. To maintain the requisite degree of independence to perform this role, the internal audit function does not itself participate in any business or risk management activities. In performing the internal audit function, KPMG complies with The International Professional Practices Framework provided by the Institute of Internal Auditors. The Audit, Risk and Compliance Committee also monitors the internal auditor's performance, effectiveness and independence.

## **MEETING THE ASX RECOMMENDATIONS**

Spark Infrastructure has complied with the ASX Recommendations to the extent outlined in this statement.

Approved by the Board and current as at 23 March 2018.

Spark Infrastructure RE Limited ABN 36 114 940 984  
as Responsible Entity of Spark Infrastructure Trust ARSN 116 870 725