asx release

9 August 2021

TRANSURBAN APPENDIX 4E AND FY21 CORPORATE REPORT

In accordance with ASX Listing Rules, please see attached Transurban's Appendix 4E and FY21 Corporate Report for the year ended 30 June 2021.

The associated year end reporting documents will be provided separately as follows:

- Transurban FY21 Results Release
- Transurban FY21 Investor Presentation
- FY21 Corporate Governance Statement and Appendix 4G.

Transurban will provide a market briefing at 9:30am (AEST) today, 9 August 2021. The market briefing will be webcast via the Transurban website at transurban.com.

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This announcement is authorised by the Board of Transurban Group.

Transurban Group

Transurban International Limited
ABN 90 121 746 825

Transurban Holdings Limited
ABN 86 098 143 429

Transurban Holding Trust
ABN 30 169 362 255

ARSN 098 807 419

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Transurban Group
Appendix 4E
Year ended 30 June 2021

(Previous corresponding period being the year ended 30 June 2020)

The Transurban Group (the Group) comprises the following entities:

Transurban Holdings Limited (ABN 86 098 143 429)
Transurban Holding Trust (ARSN 098 807 419)
Transurban International Limited (ABN 90 121 746 825)

Results for announcement to the market[1,2]

Statutory results from continuing operations		2021 $M
Revenue from ordinary activities	decrease of 9.0% to	$2,886
Loss from ordinary activities after tax	increase of 187.4% to	($287)
Net loss attributable to security holders of the stapled group	increase of 339.1% to	($256)

Statutory results including discontinued operations		2021 $M
Profit from ordinary activities after tax	increase of 2,242.1% to	$3,272
Net profit attributable to security holders of the stapled group	increase of 3,070.7% to	$3,303

Proportional results		2021 $M
Toll revenue	decrease of 0.3% to	$2,486
Earnings before depreciation, amortisation, net finance costs and income taxes (EBITDA)	decrease of 3.3% to	$1,812
EBITDA excluding significant items	decrease of 2.8% to	$1,836
Free Cash	decrease of 13.4% to	$1,278

The accompanying ASX Release and FY21 Corporate Report that follows give further explanation of the results and provide a definition of Proportional results, Significant Items and Free Cash.

Distributions and dividends

Year ended 30 June 2021	Amount per security (cents)	Franked amount for dividend component (%)	Record date	Payment date
Final distribution/dividend	21.5	5.724	30 June 2021	23 August 2021
Interim distribution/dividend	15.0	Not applicable	31 December 2020	16 February 2021
Final distribution/dividend (prior year)	16.0	Not applicable	30 June 2020	14 August 2020

Distribution Reinvestment Plan

Under the Distribution Reinvestment Plan (DRP), security holders may receive additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. The last date for the receipt of an election notice for participation in the DRP was 1 July 2021 and the participation rate was 16.36%. No discount has been applied when determining the price at which stapled securities will be issued under the DRP for the current period distribution.

Net tangible asset backing

	2020	2021
Net tangible asset backing per stapled security[3]	$3.05	$3.90

Audit

This Appendix 4E is based on the consolidated financial statements of the Group which have been audited by the Group's auditors, PricewaterhouseCoopers (PwC). A copy of PwC's unqualified audit report can be found in the FY21 Corporate Report that follows.

Other information

Disclosure requirements of ASX Listing Rule 4.3A not contained in this Appendix 4E are included in the attached FY21 Corporate Report and accompanying ASX Release.

[1] Unless otherwise stated, statutory financial information has been reclassified to present the results of Transurban Chesapeake (TC) as discontinued operations in the current and comparative period. TC was a wholly owned subsidiary of TIL and includes the Greater Washington Area operating assets, being the 495 Express Lanes and 95 Express Lanes concessions. During the period, the Group divested 50% of its equity interest in TC. Refer to Note B24 of the Group financial statements for further information. TC has not been reclassified in the proportional results presented. Details of the contribution of TC to the Group's results are disclosed in Note B24.
[2] Figures used for calculating percentage movements are based on whole numbers.
[3] Net tangible assets used as the basis for this calculation include the concessions and permits relating to the operational assets of the Group. Assets of this type are characterised as intangible assets under Australian Accounting Standards.

Transurban

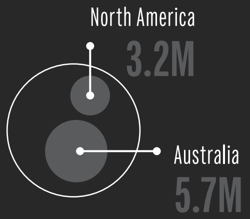
2021

CORPORATE REPORT

FY21 performance highlights

Customers

8.9 million
customers



$10.1 million
in toll credits to frontline workers and customers impacted by COVID-19 in 2020

Safer roads
Transurban roads twice as safe as like roads in Australia

~90%
of Australian customers spent less than $20 a week on tolls

Feedback program
~250,000 pieces of feedback analysed through 'Voice of Customer' program

Community

Safer local streets
NorthConnex takes more than 6,000 trucks a day off local streets

74%
of surveyed respondents agree WestConnex is good for Sydney overall

74%

>$2.9 million
invested in safety, education and training, and local communities

~38,000
community interactions around our projects

Renewable energy
supply commenced for most NSW assets

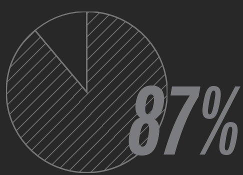
Our people

Positioned for growth
Executive Committee reshaped and workforce expanded to add capability and position Transurban for growth

89%
of employees feel genuinely supported through COVID-19

50%
gender balance at Executive Committee level

87%
of employees believe Transurban values all types of diversity



85%
of employees recommend Transurban as a great place to work

Government and industry

Preferred developer
Selected for Phase 1 of Maryland Express Lanes Project, with progress made on approval pathway

Project pipeline
Seven projects in development or delivery progressed through FY21

Road safety research
Transurban Road Safety Centre released research on child car seats and motorcycle seating position

Tolling inquiry
Data and insights provided to the NSW Parliament's inquiry into Road Tolling Regimes

User fee trial
launched in the Greater Washington Area

EV uptake >7%
Electric vehicle credit program on A25 extended by local government

Business partners and suppliers

Accelerated growth
Sale of Chesapeake assets introduced three strategically aligned partners to accelerate growth in the region[1]

1 Transurban Chesapeake comprises Transurban's Greater Washington Area operational assets which include the 495 Express Lanes, 95 Express Lanes and 395 Express Lanes, as well as three projects in delivery and development (Fredericksburg Extension, 495 Express Lanes Northern Extension and Virginia's components of the Capital Beltway Accord)

Contractor RIFR 3.90
Under 4.20 target

Project procurement
Launched design and construction procurement for Phase 1 of Maryland Express Lanes Project, with focus on women and minority-owned business inclusion

First Modern Slavery Statement
published in December 2020

Investors

Traffic recovery
supported by diversification across markets

Performance
New assets in Sydney performed ahead of expectations in FY21

$10.2B
raised in bank and capital market debt[2]

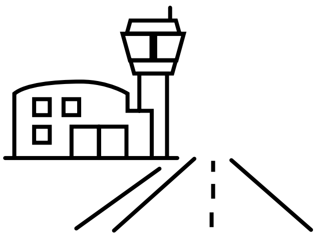
2 Calculated at 100% of the debt facility size, inclusive of issued letters of credit

ESG leader
Recognised as an Environmental, Social and Governance (ESG) leader by key global sustainability benchmarks

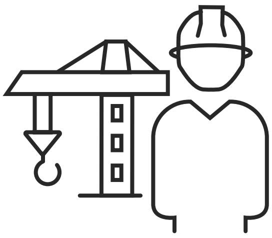
2nd highest rated
motorway infrastructure company globally in the Global Real Estate Sustainability Benchmark (2020)

Infrastructure-led recovery

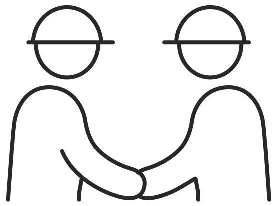
Converging themes are driving opportunity in our core markets



Infrastructure is a key driver for economic stimulus globally



Need for private-sector investment given record government debt levels



Governments increasingly favouring a development partner approach

Long-term investment horizon and pipeline of opportunities in core markets enables Transurban to take a disciplined approach in growing the portfolio

	Next 5 years	***5+ years***
New South Wales	● M4-M5 Link and Rozelle Interchange ○ Sale of the NSW Government's 49% stake in WestConnex ○ M7 staged widening and M7/M12 interchange	○ Western Harbour Tunnel and Sydney Harbour Tunnel potential monetisation ○ M6 (formerly known as F6 extension) potential monetisation ○ Beaches Link potential monetisation
Victoria	● West Gate Tunnel Project	○ North East Link potential monetisation
Queensland	○ Gateway Motorway widening ○ Logan Motorway widening	○ Broader network enhancements including in relation to Brisbane 2032 Olympics
North America	● Fredericksburg Extension Project ● 495 Northern Extension Project ● Maryland Express Lanes Project Phase 1 ● Capital Beltway Accord ○ Express Lanes enhancements and/or extensions ○ Future traditional toll road and Express Lanes acquisition opportunities	○ Maryland Express Lanes Project future phases ○ Future traditional toll road and Express Lanes acquisition opportunities

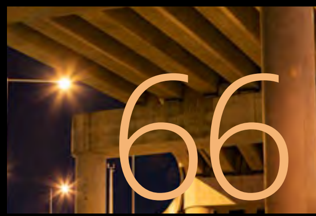
● *Current projects*
○ *Potential opportunities*

Contents

Introduction and overview

Business performance

Governance and risk



Reporting suite

FY21 Corporate Report—(this report)

The holistic performance of Transurban in FY21 including our Financial Statements.

FY21 Results Presentation

Management presentation of financial and non-financial results including non-statutory analysis.

FY21 Sustainability Supplement

Supplement to the Corporate Report including our response to Task Force on Climate-related Financial Disclosures (TCFD) recommendations and on our progress against the UN Sustainable Development Goals.

Corporate Governance Statement

Corporate Governance Statement made in accordance with the ASX Council's Corporate Governance Principles and Recommendations (4th Edition).

Tax Transparency Report

Overview of our corporate structure, approach to tax and tax position for FY20—available late August 2021.

Modern Slavery Statement

Overview of how we identify, manage and mitigate the specific risks of modern slavery in our operations and supply chains—available late 2021.

All available on our website transurban.com/investor-centre/reporting-suite

About this report

Commitment to integrated reporting

Our 2021 Corporate Report provides an overview of our financial and non-financial performance and details how we create value for our customers and communities; our people; business partners and suppliers; government and industry; and investors.

In preparing this report, we have been guided by the Global Reporting Initiative (GRI) and International Integrated Reporting Framework (IIRF), recognising their alignment with the long-term value we create for all our stakeholder groups as a provider of critical transport infrastructure.

Scope and content

This report covers all of Transurban's operations with information referring to the year ended 30 June 2021 unless otherwise stated. It includes the key disclosures under Australian legislation and provides a holistic overview of our business.

In addition to the GRI and IIRF principles, the content in the Corporate Reporting suite has been shaped by recommendations from other frameworks including the Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB), and the United Nations Sustainable Development Goals (UNSDGs).

Our Directors' Report from page 82 has been prepared in accordance with the *Corporations Act 2001*.

Our Financial Statements from page 110 have been prepared in accordance with the *Corporations Act 2001* and Australian accounting standards. Detailed information on the basis of preparation of our Financial Statements is available on page 119.

PricewaterhouseCoopers has conducted an independent audit of the Financial Statements and Remuneration Report. Detailed information on the audit is available on pages 210 and 109.

Information on the methodology used for sustainability data in this report, including a limited assurance statement by KPMG, is available in the FY21 Sustainability Supplement. Select non-financial data points within the report are estimates informed by part-year data and trend analysis of previous years.

The remaining information in this report has been through an internal review process.

This publication contains certain forward-looking statements. See page 223, which contains a notice in respect of these statements.

Materiality review

A key stage in the development of this report is our annual materiality review, which is informed by feedback from stakeholders (more information about how we engage our stakeholders is on pages 16 and 17).

The review identifies the environmental, social and governance (ESG) risks—spanning both threats and opportunities—from the year that have the most potential to impact our ability to create value for our stakeholders. These issues may change year-on-year reflecting changes to the external environment we operate in and our strategic focus.

Sustainability recognitions and affiliations

Transurban is recognised as a global sustainability leader in the infrastructure and transport sectors and is increasingly integrating sustainability into all aspects of business strategy, planning and operations.

Our sustainability strategy is aligned to the nine UNSDGs most relevant to our business. Detailed analysis of our performance against these goals is available in our Sustainability Supplement.

The sustainable development goals most relevant to our business

Recognitions

Global Real Estate Sustainability Benchmark—Infrastructure (2020)
Highest rated listed infrastructure, 2nd highest rated motorway infrastructure company globally

Dow Jones Sustainability Index (2020)
Member of DJSI World Index, 4th highest rated transport company globally

CDP (2020)
Climate Change 'Leadership' level (A- rating)

MSCI
AAA ESG Rating since 2015

FTSE4Good
Member of Global Index since 2004

Workplace Gender Equality Agency (Australia)
Employer of Choice Citation since 2015

Equileap
Rated as the 12th best company globally for gender equality

Support the Goals
5 star rated company for action on the UN SDGs

Affiliations

Global Reporting Initiative (GRI)
Used for our sustainability reporting since 2006

Task Force on Climate-related Financial Disclosures (TCFD)
All recommendations addressed

United Nations Global Compact
Participant since 2009

IS and Envision
Sustainability ratings for major projects

Sustainability Accounting Standards Board (SASB)
Implementing reporting recommendations

Science Based Targets initiative (SBTi)
Validated greenhouse gas emission reduction targets

Business for Societal Impact (B4SI)
Implementing measurement and reporting recommendations

About Transurban—what we do

21
roads under operation[1]

07
projects in development or delivery

2M
trips daily across our roads

9M
customers globally

8k+
total workforce[2]

1996
listed on the Australian Securities Exchange

As one of the world's largest toll road developers and operators, our business is to get people where they want to go as quickly and safely as possible.

Since opening CityLink in Melbourne in 1999, our company has grown to include 21 toll roads in Australia, the United States and Canada. We have 5.7 million customers in Australia, while in North America more than 3.2 million drivers choose our roads for faster, safer and more reliable trips.

In addition to our operating assets, we have seven projects in development or delivery in Australia and North America. Our Australian projects will provide vital alternatives to busy and often congested city roads and remove truck traffic from local neighbourhoods. Our projects in the Greater Washington Area will nearly double the existing Express Lanes network, with extensions in Virginia to the south and into Maryland to the north.

Over the past two decades we have built a track record of partnering with governments to successfully deliver and manage key road infrastructure, but have also been recognised for developing innovative solutions to improve the safety and efficiency of transport networks.

Our purpose—to strengthen communities through transport—underpins all that we do. From our traffic control room operators who monitor our roads 24/7, to our traffic planners who analyse travel data to forecast where congestion hot spots could be in a decade's time, our team is focused on making travel easier now and in the future.

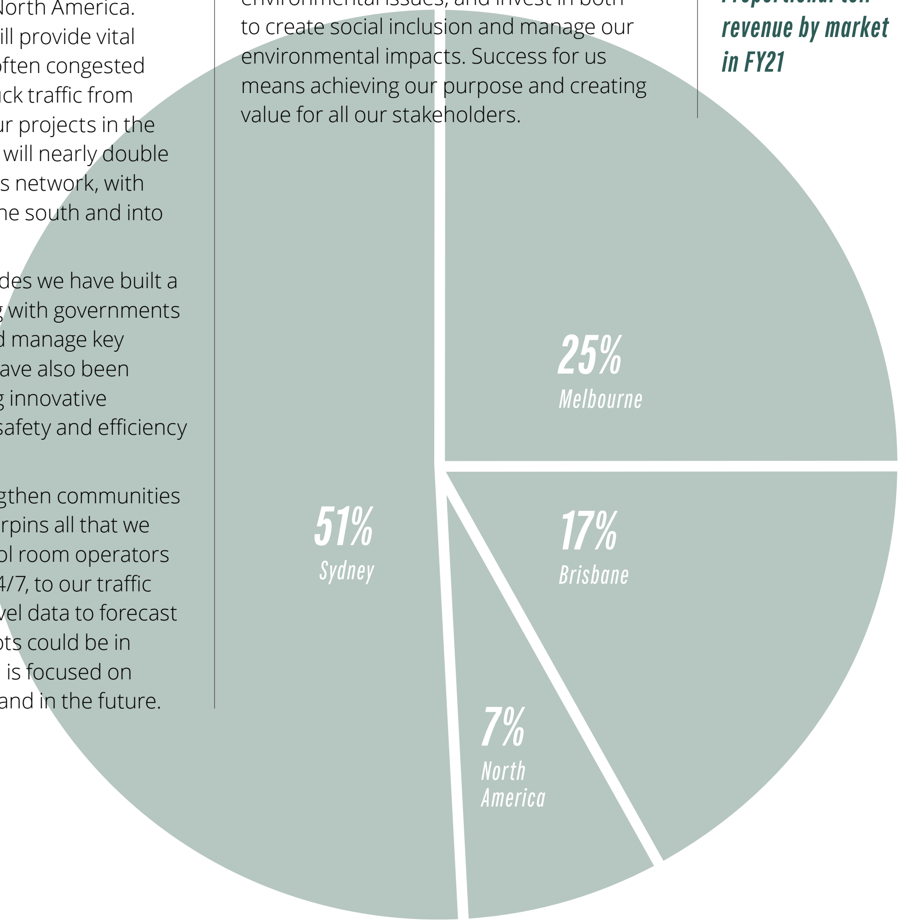
However, we recognise that motorways are part of a broader integrated transport system with public transport and active transport links all essential to creating efficient transportation networks in cities.

As a leading global player listed on the Australian Securities Exchange, Transurban represents one of the most significant infrastructure investment opportunities available to investors.

We employ more than 3,200 people across Australia and North America, as well as thousands of subcontractors through the delivery of projects. We foster an engaged and diverse workforce that prides itself on making a significant and lasting contribution to the cities and communities in which we operate.

We also continuously challenge ourselves in the way we respond to social and environmental issues, and invest in both to create social inclusion and manage our environmental impacts. Success for us means achieving our purpose and creating value for all our stakeholders.

Figure 1: Proportional toll revenue by market in FY21



1 Additional assets not included in this figure are Toowoomba Bypass and Inner City Bypass, Queensland, Australia

2 Total workforce includes direct employees, contract workers directly engaged by Transurban, and contract workers engaged through partner organisations

Our roads and projects

Sydney, New South Wales

M5 West[1]
100% ownership
22 kilometres
Concession end 2060

Hills M2
100% ownership
21 kilometres
Concession end 2048

Lane Cove Tunnel
100% ownership
3.8 kilometres
Concession end 2048

Cross City Tunnel
100% ownership
2.1 kilometres
Concession end 2035

Eastern Distributor
75.1% ownership
6 kilometres
Concession end 2048

Westlink M7
50% ownership
40 kilometres
Concession end 2048

NorthConnex
50% ownership
9 kilometres
Concession end 2048

WestConnex M4
25.5% ownership
14 kilometres
Concession end 2060

WestConnex M8
25.5% ownership
11 kilometres
Concession end 2060

WestConnex M5 East
25.5% ownership
10 kilometres
Concession end 2060

Projects

WestConnex M4-M5 Link
25.5% ownership
7.5 kilometres
Concession end 2060

WestConnex Rozelle Interchange[2]
25.5% ownership
5 kilometres
Concession end 2060

1 *Transurban currently owns 100% of M5 West, when the current concession expires in December 2026 the M5 West will form part of the WestConnex M5 concession through to December 2060, and Transurban's ownership will be 25.5%*

2 *Rozelle Interchange is being delivered and funded by Transport for NSW*

Australia

Melbourne, Victoria

CityLink[1]

100% ownership

22 kilometres

Concession end 2045

Projects

West Gate Tunnel Project

100% ownership

17 kilometres

Concession end 2045

1 *Transurban manages incident response on around 45 kilometres of road on the Melbourne network (including CityLink) stretching from the Monash Freeway, through the Domain and Burnley tunnels, over the Bolte Bridge, along the Tullamarine Freeway and out across the West Gate Bridge, taking in sections of the West Gate Freeway*

Australia

Brisbane[1]*, Queensland*

Gateway Motorway

62.5% ownership

23.1 kilometres

Concession end 2051

Logan Motorway

62.5% ownership

39.5 kilometres

Concession end 2051

Clem7

62.5% ownership

6.8 kilometres

Concession end 2051

Go Between Bridge

62.5% ownership

0.3 kilometres

Concession end 2063

Legacy Way

62.5% ownership

5.7 kilometres

Concession end 2065

AirportlinkM7

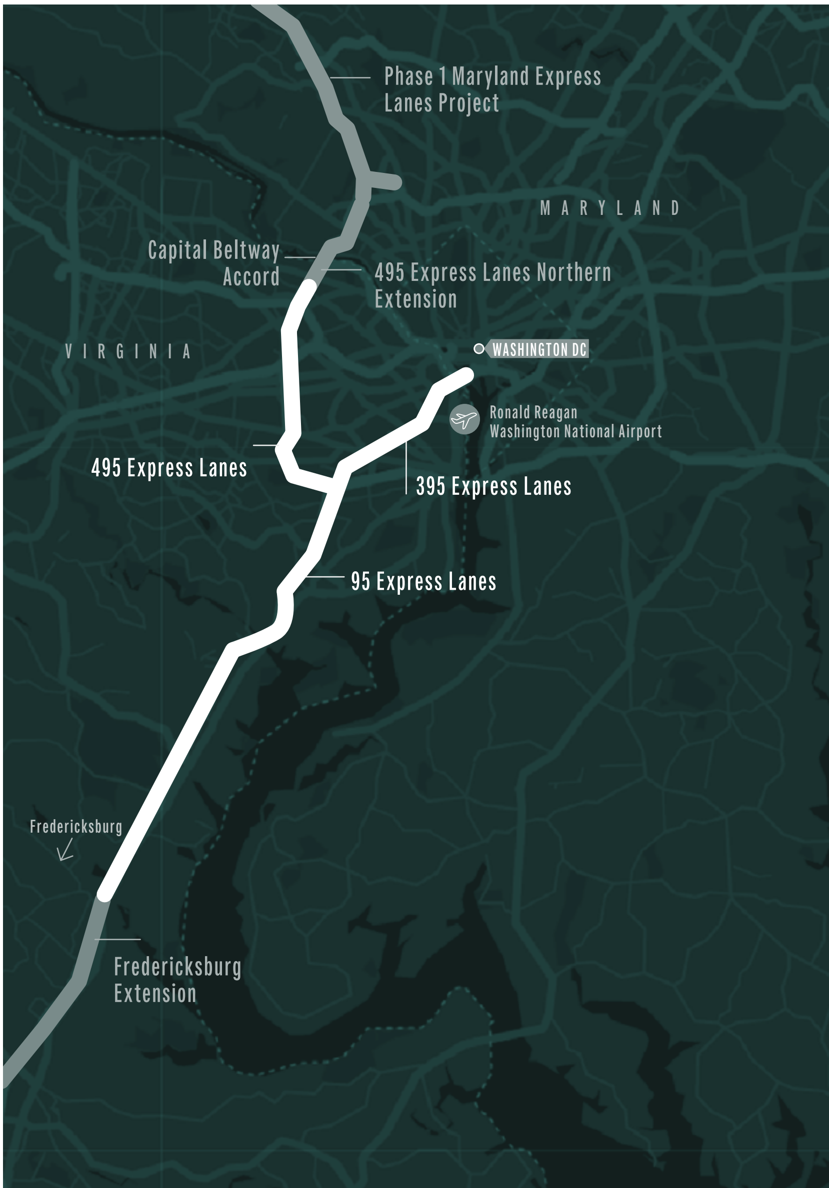
62.5% ownership

6.7 kilometres

Concession end 2053

1 *In addition to the listed assets in Brisbane, Transurban Queensland manages operations, maintenance and incident response along the Inner City Bypass, and provides tolling as a service on the Toowoomba Bypass on behalf of the Department of Transport and Main Roads*

North America



Virginia and Maryland, Greater Washington Area

495 Express Lanes[1]

50% ownership
22 kilometres
Concession end 2087

95 Express Lanes[2]

50% ownership
50 kilometres
Concession end 2087

395 Express Lanes

50% ownership
13 kilometres
Concession end 2087

Projects

Fredericksburg Extension

50% ownership
16 kilometres
Concession end 2087

495 Express Lanes Northern Extension

3.2 kilometres

Capital Beltway Accord

4.2 kilometres

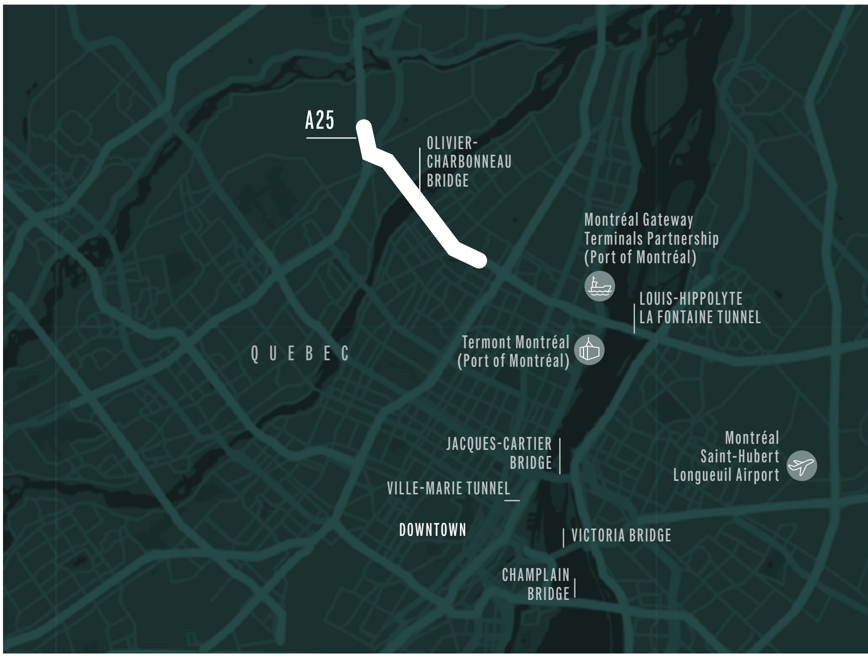
Phase 1 Maryland Express Lanes Project

60 kilometres

1 *495 Express Lanes concession includes the 495 Express Lanes Northern Extension Project, for which a binding proposal has been accepted by the Virginia Government*

2 *95 Express Lanes concession includes the 395 Express Lanes and the Fredericksburg Extension (currently under construction)*

North America



Montreal, Quebec

A25

100% ownership
7.2 kilometres
Concession end 2042

Letter from the Chair and CEO

In the last half of 2020, Transurban and our partners opened two of Australia's longest tunnels—the M8 and NorthConnex—both of which have transformed the way drivers and freight can move around Sydney.

Just a few months later in April 2021, roadheaders working deep underground in Sydney cut through sandstone to connect the final remaining tunnel stages of WestConnex, Australia's largest single road project.

These were tremendous milestones for our business. However, in the midst of a pandemic such achievements are also testimony to the resilience and capacity to adapt to swiftly changing conditions that have become a hallmark of how we operate.

The past year has tested all of us in ways we could not have conceived 18 months ago. But the solid foundations of our underlying business have allowed us to continue to deliver on our long-term strategy to provide transport solutions that improve the liveability and productivity of cities and communities.

Projects and opportunity pipeline

During the year we progressed seven projects, which are either in development or delivery in Australia and North America. This includes Phase 1 of the Maryland Express Lanes Project, our first collaboration with the Maryland Department of Transportation. In addition, each of our five core markets has significant development opportunities targeted for the next decade that we will assess in our usual disciplined way.

Like all of Australia, we were excited by the announcement that Brisbane will host the 2032 Olympic Games. The event will be a catalyst to accelerate infrastructure and investment in South East Queensland, which is one of Australia's fastest growing regions. An efficient, well-connected transportation network will be critical not only for the event itself, but to ensure the region's long-term prosperity. We believe the private sector could play an important role and look forward to supporting the Queensland Government in this ambition.

West Gate Tunnel Project

In Melbourne, construction is underway in most zones of the West Gate Tunnel Project, however tunnelling is yet to commence due to a dispute between the project parties. The dispute relates to changes in the requirements for disposal of soil contaminated with PFAS, the relocation of utilities, impacts associated with COVID-19 restrictions and other matters.

We had hoped this project would be open for the community next year; however that is no longer achievable, and we are unable to put a reliable timeframe on its completion.

We have been working actively with the project parties to seek a commercial resolution in the interests of progressing the project and minimising further time and cost impacts. Whilst negotiations between project parties have become increasingly challenging, as a long-term partner to the state of Victoria since CityLink opened in 1999, we remain fully committed to delivering this critical project.

Detailed information on the status of the project is provided on slides 14 to 16 of the FY21 Results Investor Presentation, available at **transurban.com/investor**.

The past year has tested all of us in ways we could not have conceived 18 months ago

Financial results

Our financial results in FY21 continued to reflect the impact of government-mandated restrictions on movement, with traffic in Melbourne and the Greater Washington Area particularly affected. However, in Sydney and Brisbane, where restrictive periods in FY21 were shorter, traffic volumes had recovered to pre-pandemic levels before the most recent restrictions.

Despite the impacts to traffic, we continued to pay a distribution to our security holders. Our annual distribution of 36.5 cents per security equated to approximately $1 billion distributed to security holders during FY21.

In relation to the sale of 50% of our Transurban Chesapeake assets, we are also pleased to announce a $3.7 billion gain reflecting the long-term value of our Greater Washington Area portfolio. Through this transaction we have introduced three strategically aligned partners who will work alongside us to accelerate growth in the region.

Transurban's capital strategy seeks to balance long-term value creation and growth in returns to security holders. We are confident the strength of our underlying business alongside the development projects and opportunities in our portfolio over the next few years will allow us to continue delivering on that strategy.

ESG initiatives

The measure of success for our business, goes well beyond financial metrics. Our stated purpose is "to strengthen communities through transport" and to achieve that we must create lasting value not only for our investors, but our customers, community, government partners, business partners and suppliers as well as our employees.

Lindsay Maxsted (left) and Scott Charlton (right)

Our success and the very sustainability of our business are intrinsically linked to the outcomes we create for all these stakeholders.

Throughout this report, there are examples of the many ways we go about creating value. Many relate to environmental, social and governance (ESG) issues.

While ESG has been a long-standing focus for our business, it is important that we continually challenge our approach and demonstrate leadership to achieve better outcomes.

For example, in FY21, we committed to achieving net zero greenhouse gas emissions by 2050 from our operations, supply chain and major project development, our most resource-intensive area. It is also an area which provides great opportunity for innovation, and we are working with our contractors on initiatives such as increasing our use of lower-carbon cement and renewable energy.

Leadership in road safety is a core priority both on and off the road. While technology is playing an increasing role in improving on-road safety, we are committed to further advancements through research and education programs that span every age group. These include studies into the efficacy of child car seats, driving training as well as research into the injury risks for older drivers.

Our FY21 Sustainability Supplement, the companion document to this report, includes additional detail on ESG matters as well as our progress towards the Task Force on Climate-related Financial Disclosures recommendations. It is available at **transurban.com/investor**.

Learnings from COVID-19

The challenges over the past year have also provided the opportunity for us to examine how we approach many aspects of our business. This year's report outlines some of our key learnings and how we adapted to the issues presented by COVID-19. This included evolving our customer support programs.

Since April 2020, we have provided over $10 million in toll credits to more than 41,000 Australian customers experiencing financial difficulties or working on the frontline. We also expanded our assistance to include small business customers and partnered with a community service to create a holistic support service, Linkt Assist 360.

We also considered it important to understand emerging trends around mobility as a result of the pandemic. During FY21 we released two reports, Urban Mobility Trends from COVID-19, after conducting research into people's views of how they intended to work and move around cites in the future. The findings suggested a level of disruption across transport modes with more Australian drivers favouring private vehicles rather than public transport even once the pandemic risk had passed. Cities rely on efficient and integrated transport networks so it will be important for governments and industry to work together to give people a reliable choice in how they want to travel.

NSW tolling inquiry

In March 2021, the NSW Government announced an inquiry into tolling regimes in Sydney. Different tolling methods, along with government subsidies for some motorists, have led to inequities with some drivers spending more per kilometre of travel than others.

With more toll roads planned for the next decade, the inquiry presents a valuable opportunity to engage with policy makers and take a pragmatic look at tolling regimes to create a fairer proposition for customers. Our submission also suggested other ideas such as signage displaying travel times for toll roads and alternate routes to make it easier for customers to make an informed choice about their route. We look forward to engaging with government on these initiatives.

FY22 outlook

Since the end of the financial year we have seen restrictions reimposed in Sydney, Melbourne and Brisbane, and the performance of the business will remain sensitive to government responses and economic conditions in each of our markets.

However, given the experience gained since the onset of COVID-19, we have many reasons to be confident that when restrictions are lifted traffic will rebound, underpinned by the essential nature of our road networks and the diverse reasons that customers continue to use toll roads.

Given the short-term uncertainty, the Board has issued guidance that it anticipates the FY22 distribution will be in line with Free Cash excluding Capital Releases.

We look forward to continuing to play an important role in the macroeconomic recovery from COVID-19, with a large and growing pipeline of opportunities in our core markets.

We also recognise the important role the private sector can play, alongside governments, to encourage the uptake of the vaccines, which are considered vital to protecting the community and reducing the need for restrictions in movement. Next month we will be launching a staged promotion for our vaccinated Australian customers to win an electric vehicle. This promotion aligns well to our purpose, to strengthen communities through transport, as well as government objectives to increase levels of vaccination.

Despite the uncertainties presented in FY21, so much has been achieved, and the Board would like to take this opportunity to thank the team at Transurban for their hard work and commitment. We also thank our security holders for your ongoing support of Transurban and look forward to building on the many activities that help us deliver long-term value for you, and our many other stakeholders.

Lindsay Maxsted
Chair and independent Non-executive Director

Scott Charlton
Chief Executive Officer and Executive Director

Executive Committee

Scott Charlton

BSc, MBA

Chief Executive Officer

Scott joined Transurban as Executive Director and Chief Executive Officer in 2012. Scott has led the company through significant growth during his tenure as CEO, expanding its position in existing markets and leading its entry into new markets. Scott joined Transurban from Lendlease, where he was Group Chief Operating Officer and Group Director of Operations. Prior to this, Scott held several senior appointments across a range of infrastructure and financial institutions, including CFO of Leighton Holdings Limited and as a Managing Director of Deutsche Bank in Australia and Hong Kong. Scott is Deputy Chair of Infrastructure Partnerships Australia and is a member of the Monash Industry Council of Advisors, the Business Council of Australia and Roads Australia.

Michelle Jablko

BEcon, LLB

Chief Financial Officer

Michelle joined Transurban in 2021 as Chief Financial Officer. Michelle's portfolio includes the group finance, treasury, tax, legal, audit, corporate affairs and investor relations functions. Prior to joining Transurban, Michelle was CFO at ANZ Bank for just under five years. That followed more than a decade of experience in investment banking with UBS and Greenhill Australia as a Managing Director working across a vast array of industries, providing advice on mergers and acquisitions, capital management, funding and investor relations. Early in her career, Michelle was a lawyer with Allens where she focused on mergers and acquisitions, tax and banking and finance law.

Henry Byrne

BCom, LLB

Group Executive, Victoria and Strategy

Henry joined Transurban in 2007 and was appointed Group Executive, Corporate Affairs in July 2017 and Group Executive, Victoria, Strategy in February 2020. Henry's portfolio includes responsibility for the Victorian market and the Strategy group including strategic initiatives, traffic forecasting and analysis and sustainability. Prior to his Executive Committee appointments, Henry was General Manager of Corporate Affairs and Investor Relations, and Commercial and Operations Manager of Airport Motorway. Henry is a member of the Institute for Infrastructure in Society Research Advisory Board for the Next Generation Engagement Project.

Suzette Corr

BCom, MBA

Group Executive, People and Culture

Suzette joined Transurban in 2018 as Group Executive People and Culture. She has responsibility for talent and leadership, organisational culture and development, diversity and inclusion, performance and remuneration, HR services and systems, and workplace relations. Prior to Transurban, Suzette held roles at ANZ including as Group General Manager Talent and Culture, General Manager HR Australia and General Manager HR Institutional and International and brings substantial experience dealing with a diverse and international workforce. Her earlier career was in consulting with Ernst & Young and she has held non-executive and advisory positions including as a Director of publicly listed AMMB Holdings Ltd Malaysia and the Australian Government's New Colombo Plan Advisory Group.

Pierce Coffee

BSc

President, North America

Pierce has been an integral part of Transurban's North American team since 2009. She joined when Transurban was establishing operational protocols and customer tools for the 495 Express Lanes. Alongside Operations and Technology, Pierce has championed the customer experience and implemented successful communications strategies around the construction and launch of the 495 and 95 Express Lanes. In her previous role as Vice President Customer Experience and Operations, Pierce was responsible for end-to-end customer experience and operations across Transurban's growing 53-mile network of Express Lanes—including road operations, maintenance, dynamic pricing, customer service, tolling and account management, digital and product development for Transurban North America. Prior to Transurban, Pierce launched the products for a VC-backed online start-up company where she led all marketing efforts and served as key member of senior management team. Pierce began her career working at a public relations firm supporting consumer, technology and public affairs clients.

Andrew Head

BA

Chief Executive Officer, WestConnex

Andrew joined Transurban in 2003 and was appointed Chief Executive Officer—WestConnex in September 2018. In his role as WestConnex CEO, Andrew is responsible for delivering Australia's largest road infrastructure project. Prior to his current role, Andrew held various roles on the Executive Committee including Group General Manager New South Wales, Group Strategy, and Group Development. Before joining Transurban, Andrew held roles at PricewaterhouseCoopers, and also worked in the New South Wales Government. Andrew is Treasurer and a Director of Roads Australia.

Michele Huey

BCom, MBA

Group Executive, New South Wales

Michele joined Transurban in 2015 as Group Executive, Strategy, and was appointed to the role of Group Executive, NSW Business Operations in 2017. Michele is responsible for the NSW market (excluding WestConnex). Before joining Transurban, Michele was the Group Head of Procurement and Group Head of Transformation at Lendlease Corporation, and a Principal at Booz & Company (now part of PricewaterhouseCoopers) where she worked with international and national organisations across the oil and gas, resources, industrial and financial services sectors on strategy development, operational improvement programs, and organisation transformations.

Sue Johnson

BBus, BSc

Group Executive, Queensland

Sue joined Transurban in 2001 and has held several executive roles in two decades with the business. In early 2018, Sue was appointed Group Executive, Queensland where she oversees the development, financing, construction and operations of our South East Queensland network. In her previous role as Group Executive, Customer and Human Resources, Sue transformed Transurban's global customer-service approach. Sue sits on the Committee for Brisbane Advisory Panel and the Queensland Government's Land Restoration Fund Investment Panel. Sue is a Graduate of the Australian Institute of Company Directors.

Simon Moorfield

BSc

Group Executive , Customer and Technology

Simon joined Transurban as Group Executive, Customer and Technology in October 2020. Prior to joining Transurban, Simon was the Executive General Manager Future Business & Technology and Chief Information Officer at AGL. He has 25 years' experience in technology, innovation and transformation gained across roles held in Australia, the USA, Europe and Asia Pacific. Prior to AGL, Simon held several CIO and executive roles in companies including the Commonwealth Bank and GE. Simon has an extensive background in information analytics, customer engagement and mergers and acquisitions.

Hugh Wehby

BEcon

Group Executive Partners, Delivery and Risk

Hugh joined Transurban in October 2020 and in his role as Group Executive Partners, Delivery and Risk he has responsibility for our strategic partnerships with investment partners, major project delivery, developing new project opportunities, risk, health, safety and environment. Before joining Transurban he was the Chief Operating Officer at Sydney Airport for more than three years. Prior to that he held various roles at Sydney Airport and its predecessor companies, including Chief Financial Officer, Head of Strategy and Capital Projects and Head of Investor Relations. His time at both MAp Airports and Macquarie Group prior to this saw him work in both Sydney and London. Hugh has an extensive international background in finance, operations, investor relations, service delivery, asset management and complex commercial negotiations. Hugh is also a Director at Northcott, a not-for-profit disability service.

Our company purpose sits at the heart of the value we work to create for our stakeholders. It provides the foundation of our business strategy. We deliver our business strategy through four pillars, and through these drive shared economic and social value for our six stakeholder groups.

Business strategy

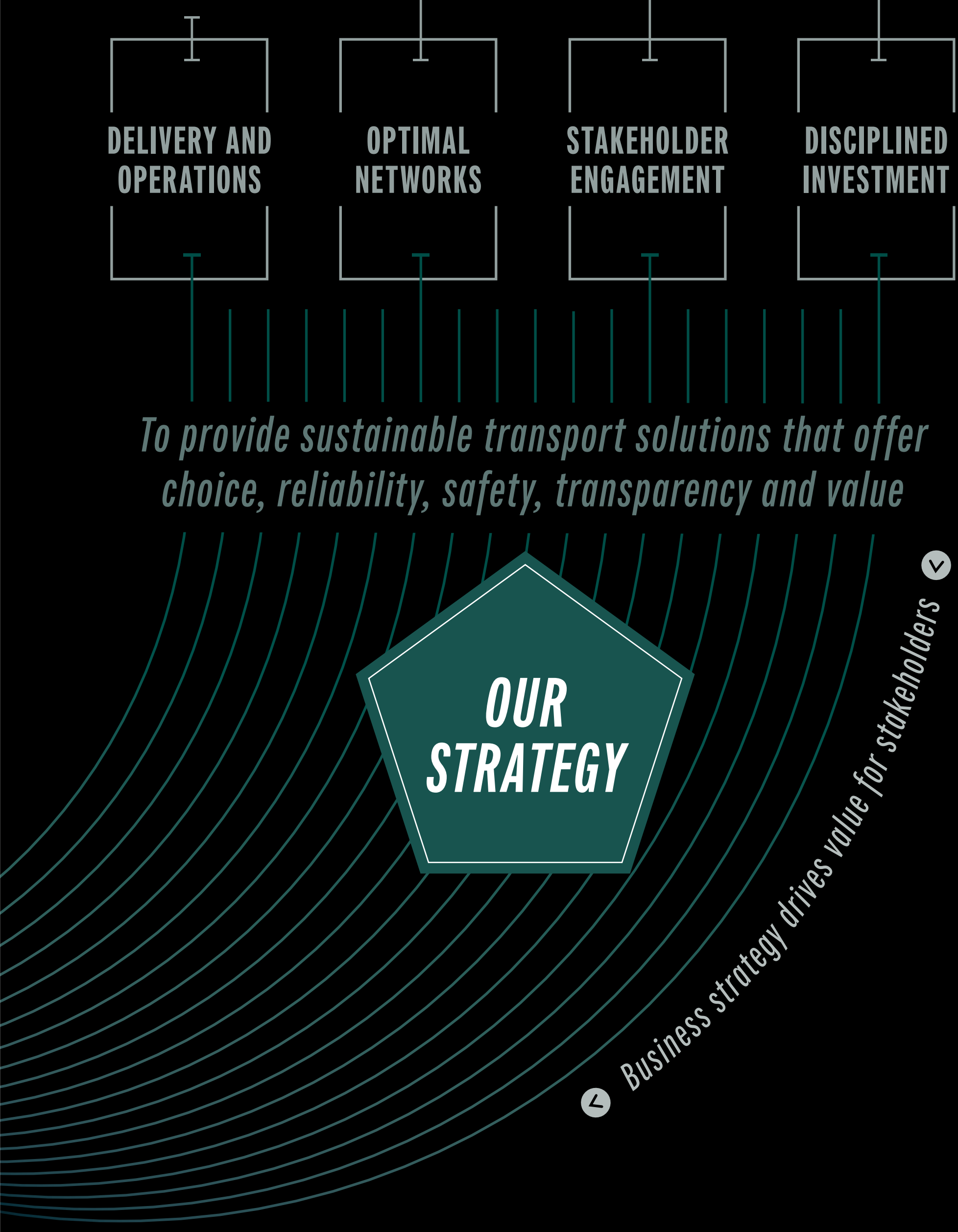
Delivering our projects and operating our roads as safely and efficiently as possible is our core focus, and fundamental to our value proposition over the long term.

To keep traffic flowing safely and efficiently, we develop operational, policy, project and technology solutions that get more out of roads and the broader network.

Developing close relationships with our stakeholders allows us to identify and invest in projects and programs that matter.

Thinking holistically about the operation of the broader transport network, we invest in projects that are necessary for the growth and prosperity of communities.

The four pillars



The value we create for stakeholders

CUSTOMERS

More productive and liveable cities through:

- safer roads
- faster and more reliable travel times
- choice, convenience, transparency and value for customers in the routes they take and the way they interact with us.

COMMUNITIES

Better connected and more sustainable communities through:

- improved productivity and easier access to goods and services through transport connections
- reduced through-traffic in local neighbourhoods
- job creation through construction projects and flow-on employment opportunities
- improved amenities and partnerships informed by community engagement.

OUR PEOPLE

Highly capable workforce through:

- focus on safety, employee wellbeing and diversity
- job creation and skills development
- development of emerging talent.

GOVERNMENT AND INDUSTRY

Innovative and efficient transport infrastructure to cater for growing urban populations through:

- capital input freeing up government balance sheets
- potential to fast-track project delivery and transfer of project and financial risk to the private sector
- private sector expertise in innovative design, construction and operations.

BUSINESS PARTNERS AND SUPPLIERS

Better community and environmental outcomes through influence in our extensive supply chain through:

- long-term relationships with lasting economic benefits in employment, goods and services procurement
- risk management
- opportunities for innovation and sustainable outcomes.

INVESTORS

Sustainable investment proposition through:

- balanced distribution growth and long-term value creation
- disciplined approach to future opportunities
- superior ESG industry performance.

Working with our stakeholders

	Customers	Community	Our people
	The millions of people and businesses that use our safer, more reliable and faster roads	**The communities of Melbourne, Sydney and Brisbane in Australia, and Greater Washington and Montreal in North America**	**Our workforce of more than 3,200 people, our pipeline of emerging talent and the thousands of subcontractors working across our major construction projects and operations every day**
How we engaged	• 'Voice of Customer' continuous listening program • Changing Gears online customer research panel • Customer service channels including website, app, phone and retail outlets • Social media • Qualitative and quantitative research	• Community engagement team interactions, including face-to-face and virtual information sessions, meetings and site tours • Various communications channels including digital, print and on-road signage • Attendance at peak-body community and industry conferences and events • Surveys, including corporate trust • Community liaison groups • Social and traditional media • Partnerships, grant programs and events	• 'Our Voice' continuous listening program including pulse surveys • Regular all-employee meetings, both virtual and in person • Internal communication channels, including intranet, e-newsletters and digital signage • Quarterly awards and recognition program • Regular virtual people leader forums • Belonging and Wellbeing events calendar with increased focus on visible advocacy from senior leaders
Key topics we heard	• Ease and convenience of interactions • Support for vulnerable customers • Fees, charges and infringement processes • Demonstration of value of toll roads • On-road experience factors, such as congestion and signage • Cyber security, data protection and privacy • Transparency and choice	• Increasing cost of living and financial vulnerability since the start of the pandemic • Driver safety and education • Benefits to the community through projects, operations and use of open space near our roads • Role of the community in how we respond to their concerns • Processes and governance • Emissions and air quality • Impacts of project construction and operations • Transparency of project design, delivery processes and decision making • Community engagement post-construction	• Health, safety and wellbeing • Skills and capability development • Access to flexible ways of working • Diversity and inclusion, including respect in the workplace • Ongoing career opportunities • Retention and attraction of key talent given infrastructure-led recovery
How we responded	• Significant enhancements to digital platforms, improving experience and functionality • Expanded Linkt Assist and commitment to financial inclusion • Granted $10.1M of toll credits in 2020 to support frontline workers and customers through COVID-19 • Proactively helped customers avoid fees and charges • Development of online and roadside tools to assist in choice and value assessment of our roads • Linkt Customer Rewards expansion, providing additional value to customers • Use of data and analytics to identify trends and pain points to guide future improvements • Collaboration with government partners to improve on-road experience • Strengthened cyber security capability in response to increasing cyber threat environment and changing regulatory landscape	• Partnerships, grants, and social and environmental initiatives • Expanded partnerships with Kidsafe, The Smith Family and The Salvation Army • Continued support for Australian National University's Next Generation Engagement Program to enhance positive community outcomes • Consulted community liaison groups on major projects' design and delivery • Increased access to project teams at key meetings and information sessions • Development of parks and community spaces, including Haberfield Library, St Peters Interchange greenspace and Haberfield Gardens (all connected with the WestConnex project) • Advanced notification of operational works to local communities • Air quality monitored in tunnels and projects with data published publicly • Identified ways to minimise operational impacts on local communities	• Mandatory Health and Safety Action Plans for all teams. Belonging and Wellbeing program supporting mental, physical and financial wellbeing • On-demand access to more than 5,000 online learning programs • Flexible ways of working supported by collaborative technologies • Annual pay reviews to maintain gender and race/ethnicity pay equity gap of no more than 1%. Respect at Work program to reinforce zero tolerance and support available • Annual pay reviews to account for the increases in Australian superannuation guarantee • Performing and Growing hub, with resources for a rewarding and successful career at Transurban. New system functionality for capturing employee career information and generating workforce capability insights

Government and industry

Our partners in federal, state and local government and the transport and business community we are active in

How we engaged

- Submissions to state and federal governments, and government agency inquiries
- Industry partnerships and memberships
- Attendance and speaking at industry events
- Meetings with government stakeholders, officials and regulators
- Provided insights from the Urban Mobility Trends from COVID-19 reports on attitudes to work and transport
- Senior government stakeholder engagement at asset opening and project milestone events

Key topics we heard

- Innovative and sustainable transport solutions to meet needs of growing cities
- Economic insights from data
- Future-ready infrastructure
- Road safety
- Supporting communities through COVID-19
- Road user charging

How we responded

- Three road projects opened to traffic/ commenced tolling and a further seven road projects progressed with government in FY21
- Worked with government partners and industry on connected transport technologies and road-user charging trials
- Consultation with government with research from Transurban Road Safety Centre
- Delivered initiatives and programs to support customers
- Helped shape the debate around future tolling arrangements in Sydney by providing our data, analysis and insights to the NSW Parliament's inquiry into Road Tolling Regimes

Business partners and suppliers

The more than 1,600 suppliers and partners that provide the goods and services we rely on to deliver for our customers

How we engaged

- Alignment and objective setting with our major long-term partners
- Engagement and collaboration between key suppliers and project steering committees on all major projects
- Working groups and workshops with supply chain members
- Engagement with industry on intended pipeline and future scope of works
- Dedicated relationship managers and check-in meetings

Key topics we heard

- Working with our supply chain to deliver better outcomes for all stakeholders, including reducing environmental impact of business activities
- Managing risks within supply chains, including human rights
- Visibility and confidence of long-term pipeline for suppliers
- Quality of relationships

How we responded

- Halved standard payment terms for small business suppliers from March 2020 to January 2021
- Continued to develop our Sustainable Procurement Program to address risk and promote greater economic, social, environmental and safety outcomes
- Continued our Social Traders membership to encourage partnerships with social enterprises both directly and through our extended supply chain
- Worked with suppliers to ensure compliance with Modern Slavery Act
- Worked closely with our business suppliers to deliver on expected pipeline of work
- Established a Human Rights Policy

Investors

The institutional, superannuation, retail and debt investors that provide us with the capital to deliver long-term, responsible growth

How we engaged

- Annual program of institutional and retail investor engagement including one-on-one meetings
- Half-year and full-year results briefings
- Additional trading updates to keep the market informed in the volatile COVID-19 operating environment
- Annual investor day conducted virtually
- Quarterly traffic releases
- Tour of the recently opened NorthConnex asset
- Annual General Meetings conducted virtually
- Investor centre website
- Bi-annual investor survey
- Proxy adviser and ESG engagement

Key topics we heard

- Project delivery and asset performance
- Organisational capability including Executive Committee and Board
- Long-term mobility trends
- Development opportunities
- Capital strategy and management
- Current and emerging risks
- ESG performance and initiatives
- Long-term value creation

How we responded

- Continued to execute strategic initiatives and create longer term value for security holders, including the sale of Chesapeake assets, realising significant value for security holders with a gain of $3.7 billion
- Maintained a strong balance sheet, successfully raising $10.2 billion of debt
- Delivered investor returns as a result of asset quality and diversification, and effective cost management
- Recognised as an ESG leader by global sustainability benchmarks and continued to make progress in key ESG focus areas including our 2050 net zero commitment and expansion in customer hardship support

Global trends influencing strategy

Identifying and positioning for trends and advancements within the infrastructure space enables us to pursue opportunities, while mitigating risks such as potential disruptions.

Infrastructure demand

While the predicted boom in Australia's population has stalled in the immediate term due to the global pandemic's restrictions on migration,[1] there is still a formidable backlog of transport infrastructure projects required to keep cities moving efficiently.

Governments in Australia—like many around the world—have flagged the potential of infrastructure development—both shovel-ready minor maintenance and major construction projects—as key drivers to stimulate economic recovery and create jobs.

In the USA, there is support for a USD1 trillion bipartisan deal to overhaul the country's infrastructure with nearly USD300 billion[2] earmarked for transportation projects. With an estimated trillion dollar backlog, traffic congestion delays alone are costing the nation over more than USD180 billion per year.[3]

Quebec remains focused on improving its transportation systems in order to reduce greenhouse gas emissions and has recently announced a record level of infrastructure funding.

Among this focus on new and renewal projects, private sector investment is expected to play a significant role in supporting economic recovery. In response to the pandemic, governments are facing record debt levels as they continue to implement support measures.

The public private partnership (PPP) funding model is well established in Australia, with NSW alone benefiting from $25 billion worth of road infrastructure delivered through PPPs in the past 30 years. In the USA, acceptance of the PPP model is gaining momentum and as of 2019, 38 states had passed legislation enabling PPPs.[4]

The Maryland Express Lanes Project, which we and our partner Macquarie Capital have been selected to deliver the first phase for the Maryland Government, is set to be one of the largest PPPs in the USA. We look forward to continuing to work with governments in North America and Australia as a partner of choice in developing infrastructure that will create jobs as well as significant long-term value for communities.

Transport technology

The way people move around cities is changing, with new transport technologies and mobility options offering greater convenience and real-time personalised choices. We actively improve our understanding of these key trends, expected adoption curves and business implications within the future mobility ecosystem. Ultimately we recognise that the convergence of trends will create safer, more sustainable, integrated and automated road networks that will result in more kilometres travelled.

Low and zero emissions vehicles and road user charging

The types of vehicles people are driving is also gradually changing with the transition to low and zero emission vehicles (ZEVs) gaining traction around the world. Many governments have set aggressive targets to replace fossil-fuel vehicles in response to the impacts of climate change and to create a path to a more sustainable transport future. Transport accounts for approximately 14% of global greenhouse gas emissions, the primary cause of climate change.[5]

1 *2021 Intergenerational Report, Commonwealth of Australia 2021*
2 *Figures current 28 July 2021*
3 *cnbc.com/2019/12/24/traffic-jams-how-they-form-and-end-up-costing-the-us-economy-billions.html*
4 *ncsl.org/research/transportation/ncsl-p3-update.aspx*
5 *epa.gov/ghgemissions/global-greenhouse-gas-emissions-data*

Australia's ZEV adoption lags behind other countries and is considered a small vehicle market. By comparison, ZEV adoption in the USA and Canada is accelerating. The introduction of ZEVs has created policy challenges for governments who are grappling with balancing the environmental benefits of ZEVs and how their owners will pay for their road usage.

Already, increasingly fuel-efficient vehicles have made a significant dent in the revenue governments collect from fuel excise. The shift to electrified transport will force changes to a fuel-sales-based road funding system.

In Australia, the Victorian Government introduced a 2.5c per kilometre charge from 1 July 2021 for ZEVs and hybrid vehicles, along with a $3,000 subsidy to incentivise purchases. The NSW Government has announced a package of incentives, delaying a road usage charge for six years or until new EVs make up 30% of new car sales.

Road user charging schemes are being trialled in a number of USA states, with some moving into early commercial phases. Government focus for these programs continues to be on testing policy reform, adoption, and technology requirements.

Transurban has long advocated for the adoption of ZEVs as well as the need for a fairer and more sustainable and transparent road funding system. Such a system would help prepare for the inevitable transition to ZEVs, and address road funding as fuel excise continues to decline.

In July 2021, we commissioned research to gauge the community's understanding and attitudes towards road usage systems.

The results are in our latest industry report at transurban.com/industry-report-fy21

Connected and automated vehicles (CAVs)

While CAVs offer huge potential to improve safety, traffic flow and transport accessibility, their mass adoption is now expected several years later that was previously envisaged. As tests and trials continue, vehicle manufacturers, technology companies and governments have acknowledged the challenges ahead in ensuring these vehicles are capable of handling all potential scenarios.

After partnering with government and industry bodies on a number of trials, we continue to target the potential network benefits of CAVs by exploring new opportunities and use cases.

Mobility as a service (MaaS)

Growth in multi-modal transport platforms has experienced some challenges in the past 12 months, with general mobility patterns disrupted by the pandemic.

While the focus to date has been on creating greater convenience for consumers, new community expectations around public health could serve to refocus the role of MaaS applications.

Ride-hailing and ride-sharing services, multi-modal transport platforms and transport-on-demand apps are already giving people greater certainty, choice and convenience in how they travel, and we continue to see the number of proponents in this market increase.

Transurban continues to work towards providing our customers with options and information for making informed transport choices. This endeavour has seen us form partnerships with other companies in the MaaS space to develop the capability to give our customers the most useful information about their trip, ultimately saving them time.

Environmental, social and governance (ESG) impacts

The impacts of climate change are already being felt around the world and, as an industry leader, it is an expectation that we set the highest sustainability standards for our operations. This means setting ambitious emission reduction targets and delivering programs to meet these targets, recognising the risks—threats and opportunities—that climate change presents.

Operating sustainably also means working with our suppliers, customers and our communities to deliver benefits for people and the environment, and not adding to the global challenges we are all facing.

It also means listening to the evolving expectations from our employees and other stakeholders and responding to the increasing focus on issues such as respect, diversity and equity. Having a workplace that reflects and celebrates diversity, and where respect and inclusion are expected is fundamental to our success.

Urban mobility trends from COVID-19

Transurban recently commissioned research to better understand how people see themselves moving around cities after the pandemic health risk has diminished. The research informed our industry reports, Urban Mobility Trends from COVID-19, released in two editions, August 2020 and February 2021.

The research showed that while most people expected to do most of their work back in the workplace, they were also seeking flexible work arrangements so they could enjoy greater work/life balance and avoid daily peak-period commutes.

However, the research also found that health and safety were a major priority in choosing modes of transport and many Australians favoured private vehicles over public transport. Our February report found that 21% fewer people expected to use public transport daily post pandemic compared to their previous use.

The impact of this may be evident already with what appears to be a return to traditional working hours and peak-hour congestion when restrictions have been eased—exacerbated by people continuing to avoid public transport in favour of private vehicles.

These mobility trends suggest we may see a level of disruption across transport modes for some time to come, making this an opportune time for governments and industry to work together to ensure we have efficient and resilient transport networks into the future.

Many options—from flexible working hours to leveraging data and technologies—should be part of the conversation, however, we also need integrated transport networks that help spread the peak travel periods and give people choice in how they want to travel.

Read our research reports transurban.com/mobilitytrends

20 Business performance

Project updates

Sydney

Transforming the state's transport network

Key benefits

Faster journeys
Journey between Parramatta and the NSW Central Coast 40% faster

Employment
Around 17,000 people were involved in the project, including more than 1,500 Central Coast workers

Local business
Around 80% of NorthConnex contracts were with NSW-based suppliers and companies, including 50 businesses from the Central Coast

Continued job creation
NorthConnex continues to drive jobs post-opening with 85 full-time equivalent jobs supporting operations and maintenance

Truck-free streets
Local streets returned to the community with more than 6,000 trucks per day removed from local streets

NorthConnex

northconnex.com.au

NorthConnex is the next generation in road design, featuring the highest safety standards, and built with innovative and sustainable design features. It comprises twin nine kilometre motorways and provides the missing link in the National Highway route connecting the M1 at Wahroonga and the M2 at West Pennant Hills.

Since opening in October 2020, NorthConnex has become an integral part of Sydney's motorway network. On average, 39,000 vehicles used it daily during 4Q FY21, ahead of expectations set in a pre-COVID-19 environment. Near misses on local streets have reduced by almost two-thirds during peak periods, while the number of crashes on Pennant Hills Road between the M1 and M2 has more than halved. This has driven a significant improvement in liveability and amenity with overwhelmingly positive community feedback received since opening.

NorthConnex is the first road tunnel in Australia to feature lighting displays to keep drivers engaged and focused, and the risk of a crash in NorthConnex is predicted to be materially lower than on Pennant Hills Road. This innovative feature won an international award for its technical design, aesthetics and safety impact.

> *"This is a real partnership between Transurban, the State Government and the Federal Government and also the community." —NSW Premier Gladys Berejiklian*

Project updates

St Peters Interchange Bridges

FY21 milestones

Operational

M8 opened to traffic and tolling commenced on the M5 East in July 2020

Tunnel excavation

Excavation nearing completion on the M4-M5 Link Tunnels, with around eight million tonnes of spoil removed

Award recipient

Awarded NSW Premier's Award 2020 (Strong Economy category). M8 stimulated the NSW economy, with 80% of contracts awarded to NSW companies and by employing more than 18,000 people across the state

Industry award

New M4 Tunnels won 2020 Industry Choice Award at Infrastructure Partnerships Australia National Infrastructure Awards. The project demonstrated excellence as a major infrastructure project and exceptional focus on customer and community benefit

Public art program

Canal to Creek public art program underway, which will see 18 commissioned artworks activate inner Sydney parklands. Will be opened to the public progressively throughout 2021

WestConnex

In just over 10 years, 40% of Sydney's population is expected to live within five kilometres of this network[1]. Its 33 kilometres of new and improved motorways and tunnels will provide motorists with a continuous, traffic-light-free motorway network, connecting Sydney's west and southwest suburbs with the CBD, Sydney Airport and Port Botany. It also provides for future projects linking the north shore and northern beaches.

The first stages of WestConnex, the widened M4, New M4 Tunnels and M8 are open and have transformed previously congested corridors, improved travel times and connectivity for motorists and freight. The full benefits of WestConnex will be realised when the M4-M5 Link Tunnels open in 2023, providing the missing link between the M4 and M8, and connections to Rozelle Interchange and Sydney Gateway are complete. WestConnex will also connect to future projects including the Western Harbour Tunnel and the M6.

The NSW Government chose Transurban and our co-investors, Sydney Transport Partners, to deliver and operate WestConnex when it sold a 51% stake in the project in 2018.

The NSW Government has commenced the sale process for its remaining 49% stake in WestConnex which Transurban, as part of Sydney Transport Partners, is participating in.

M8 and M5 East

Opening to traffic in July 2020, the M8 doubled the capacity of the M5 corridor to four lanes in each direction and substantially improved the operation and resilience of the M5 East, one of Sydney's busiest motorways.

westconnex.com.au

> *WestConnex is the largest and one of the most ambitious single road projects in Australia's history*

The M8 has provided an essential function in Sydney's orbital network, as well as provisions for future network upgrades. The M8 also adds much-needed lane capacity to the main passenger and freight terminal between Sydney Airport and Port Botany, and southwest Sydney.

The motorway features more than 850 CCTV cameras, providing 100% coverage throughout the tunnel to ensure that incident response crew can quickly assist motorists in need. Almost 1,000 public announcement speakers and more than 2,500 electronic signs are also featured throughout the M8 to alert motorists of changing traffic conditions.

Since the M8 opened, crashes on the M5 East have also dropped significantly, down by more than 40%, a result of less traffic and smoother traffic flow in the tunnels. Incidents involving over-height vehicles entering the tunnel have dropped by almost half, meaning motorists are spending less time stuck in gridlock while the incident is cleared.

1 *In 2031, based on Deloitte Access Economics estimates and Transurban's own internal estimates and assessments*

Key benefits

Shorter travel times
Average travel times halved on the M5 East

Faster travel
Average travel speeds doubled, during peak times on the M8

Future proofed
Built-in future connections for the Sydney Gateway Project to the Airport, the M4-M5 Link and the M6

Cycle path
14 kilometres of new and upgraded cycle path delivered along the M5 East and M8 alignment

New green space
6.5 hectares of new green space at former Alexandria Landfill

Locally employed
More than 40,000 workers and subcontractors have been involved to date to deliver WestConnex, almost a third of which are from Western Sydney

Skills and jobs legacy
500 apprenticeships created through the project lifespan, upskilling the next generation of workers

–Future project–

M7 staged widening and M7/M12 Interchange

A pivotal part of Sydney's orbital motorway network, Transurban's existing M7 motorway provides the main north-south route through Sydney's western suburbs.

Since its opening in 2005, growth and development in the corridor has resulted in some sections of the M7 operating at capacity and experiencing significant congestion during peak periods. The NSW Government's planned M12 Motorway will also connect into the M7, providing an east-west motorway linking the new Western Sydney Airport and the existing M7.

Transurban traffic analysis shows that by 2026, without the proposed widening of the M7 there will be significant capacity constraints and the M7 will not be able to effectively cater for the additional traffic demands from the M12.

In March 2020, Transurban, and our Westlink M7 partners, submitted a non-binding Unsolicited Proposal to the NSW Department of Premier and Cabinet to fund and deliver enhancements to the Westlink M7 Motorway to accommodate the future M7/M12 Interchange, alleviate capacity constraints and improve motorists' journeys. In July 2020, the proposal progressed to Stage 2 of the formal assessment process.

Throughout FY21, Transurban, our partners and Transport for NSW have been working collaboratively to refine the proposal to best support the NSW Government's priorities around future growth in this corridor.

The next phase of the Unsolicited Proposals process is Phase 3 which involves the negotiation of a final binding offer and would allow this important project to progress.

Lighthorse Interchange, M7 motorway

Project updates

Greater Washington Area

Travel choices across connected corridors

Fredericksburg Extension Project

FY21 milestones

Activities undertaken
Initial grading, major design work, and community engagement on sound walls

Bridge construction
The first of two major bridges rebuilt

Improvements
Tolling and communications systems infrastructure, drainage, and structural works progressed

Key benefits

Congestion addressed
Addresses one of the country's worst traffic hotspots

Lanes extended
16-kilometre extension of the dynamically tolled 95 Express Lanes

Increased capacity
66% more capacity during peak times

Ramps and bridges
New ramps, and seven new or upgraded bridges

The Fredericksburg Extension project—known as Fred Ex—will provide faster travel in one of the USA's most congested corridors and new access to the 95 Express Lanes, including for more than 28,000 people working at Quantico Marine Base.

Congestion on this corridor can vary between three to 10-kilometre backups—around two hours of idling in traffic. As well as increased population growth in the surrounding Stafford County, congestion on the general-purpose lanes, which run alongside the Express Lanes, is exacerbated by heavy freight.

Extending the 95 Express Lanes by 16 kilometres, the project will create the longest reversible Express Lanes systems in the USA, comprised of almost 80 kilometres from Washington DC to Fredericksburg, Virginia.

The project is currently tracking behind the 2022 opening, with the schedule under review. Transurban is working with the D&C subcontractor on the construction challenges. Fred Ex is expected to create more than 9,000 jobs and generate over USD1 billion in economic activity. We reached financial close on the USD565 million project in July 2019.

expresslanes.com/projects/fredericksburg-extension

495 Northern Extension Project

The 495 Northern Extension project—known as Project NEXT—will extend the 495 Express Lanes just over three kilometres towards the Maryland border, returning local streets to local communities by reducing cut through traffic along the Capital Beltway.

The extension is expected to save motorists up to 25 minutes during peak traffic times and prepares the asset for the Capital Beltway Accord—the rebuild of the ageing American Legion Bridge and extension of the Express Lanes north across the American Legion Bridge into Maryland.

Transurban remains committed to working with the Commonwealth of Virginia and advancing the project, which is anticipated to open to traffic in 2025.

FY21 milestones

Binding proposal
Accepted by the Virginia Government ahead of commercial and financial close expected mid-FY22

Key benefits

Improved connections
Extends existing Express Lanes by 3.2 kilometres and improves connections at the Dulles Toll Road and George Washington Memorial Parkway

Jobs generated
Estimated 7,300 jobs generated from project's economic impact

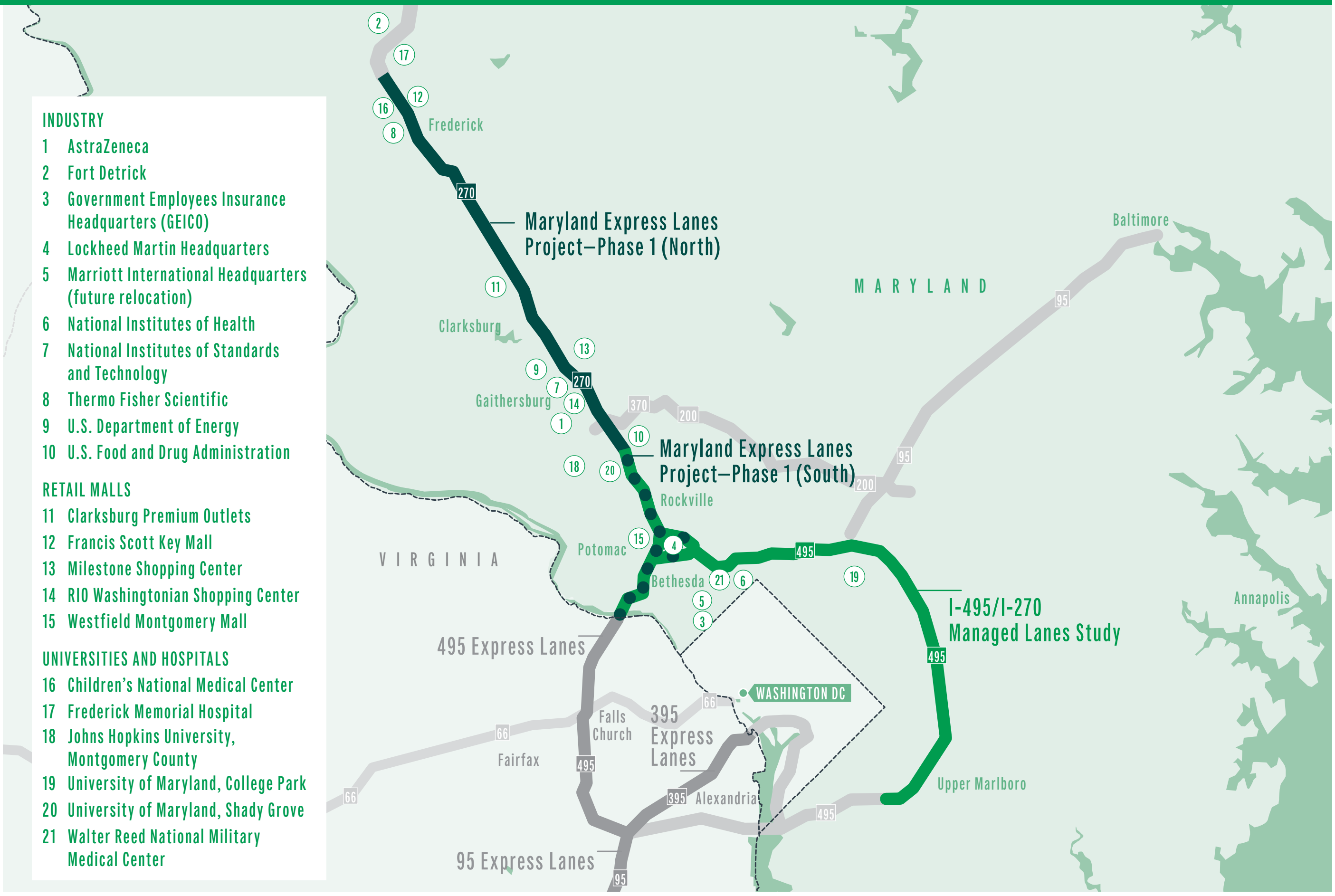
Economic boost
Projected USD880 million economic boost through construction and project delivery

Expanded transit
Expands transit service between Virginia and Maryland

Cycle and pedestrian path
New three-mile cycle and pedestrian path

Accident reduction
Projected reduction in accidents in the I-495 corridor by 20%

495northernextension.org



Maryland Express Lanes Project—Phase 1

This project will expand transit options, ensure trip reliability, and reduce some of the worst congestion in the United States.

Accelerate Maryland Partners LLC (AM Partners), led by Transurban and Macquarie Capital, has been selected by the Maryland Department of Transportation (MDOT), MDOT State Highway Administration and the Maryland Transportation Authority as the preferred developer to perform pre-development work and deliver the project.

The project will see the addition of two high-occupancy toll lanes to approximately 60 kilometres of highway, connecting Maryland with key business and residential centres in Northern Virginia. The estimated cost of Phase 1 of the Maryland Express Lanes Project is USD3–4 billion, with the overall Maryland Express Lanes Project expected to cost over USD9 billion.

The new Express Lanes in Maryland will connect to extensions now advancing on the 495 Virginia Express Lanes network, including the 495 Northern Extension project, and incorporates Maryland's components of the Capital Beltway Accord.

Progress has been made on the approval pathway, with the Metropolitan Washington Council of Governments Transportation Planning Board reaffirming the project as part of the long-term plan for the region in July 2021. Pending approvals by the Maryland Board of Public Works, and subject to reaching agreement on terms, a final concession agreement and financial close is expected in late 2022.

Key benefits

American Legion Bridge
Replacement of ageing infrastructure

Critical link
Link between key economic centres in Maryland and Virginia

Water quality
Project commitment to double water protection requirements

Transit options
Opportunities for faster, more-reliable bus transit service, carpooling and vanpooling

Capital Beltway Accord

The Capital Beltway Accord is an agreement between the Virginia and Maryland governments to add two Express Lanes in each direction (4.2 kilometres) across the Potomac River, while replacing the ageing American Legion Bridge with upgraded general purpose lanes. This historic bi-state effort will alleviate a major pinch point on the Capital Beltway and relieve one of the worst bottlenecks in the Greater Washington Area.

Transurban will work with the Virginia government to deliver its components under the Accord. Separately, pending anticipated project approvals by the State of Maryland, Transurban and Macquarie will deliver Maryland's obligations under the Accord as the preferred developers of Phase 1 of the Maryland Express Lanes Project.

Read the media release
bit.ly/VAgovernorsNews

Project updates

Melbourne

Providing a vital alternative to the West Gate Bridge

FY21 milestones

Construction works

24.5 million worker hours clocked to date with almost 36% permanent works completed

Safer connections

Fabricated, installed and opened two locally manufactured walking and cycling bridges to provide safer and better connections for communities along the West Gate Freeway

Elevated connection

Five portal beams, weighing up to 500 tonnes, spanning Footscray Road have been installed to carry a new 2.5 kilometre, six-lane elevated road to connect the West Gate Tunnel and CityLink and the CBD

Construction activities

Major construction activities underway at the northern and southern tunnel portals with tunnel roof deck building completed at the southern inbound portal ahead of tunnelling commencing

Noise reduction

Nine kilometres of noise wall infrastructure, including steel posts and concrete panels, installed along the West Gate Freeway for quieter homes, backyards, and parks

West Gate Tunnel Project

westgatetunnelproject.vic.gov.au

The West Gate Tunnel Project will deliver a vital alternative to the West Gate Bridge for more than 200,000 motorists who rely on the West Gate Freeway daily.

The project is made up of three distinct parts. Eighteen kilometres of new lanes are being built along the West Gate Freeway, widening the road from eight to 12 lanes. Two state-of-the-art Tunnel Boring Machines (TBMs) will work 24/7 to dig twin tunnels under Yarraville to connect the West Gate Freeway and the Maribyrnong River. To build the tunnels, about 1.5 million cubic metres of spoil will be dug out by the TBMs and disposed of. Towards the CBD, a bridge and ramps are being constructed over the river to connect the tunnels with the Port of Melbourne, and CityLink and the CBD via a new elevated roadway.

Construction on the project is underway in two of the three major sections, however tunnelling has still not commenced due to a dispute between the project parties. Disputes are related to changes in the requirements for disposal of soil contaminated with the group of chemicals known as per and polyfluorinated alkyl substances (PFAS)[1], the relocation of utilities, impacts associated with COVID-19 restrictions and other matters.

In June 2021, the Hi-Quality Group's Sunbury Eco-Hub was recommended by the D&C subcontractor as the preferred waste disposal site for the tunnel spoil, following rigorous assessment by the EPA to ensure all environmental risks are addressed. Hi-Quality has commenced works to purpose build this site which are expected to take around six months.

Unfortunately, completion of this project in 2023 is no longer considered achievable, and Transurban is unable to put a reliable timeframe on when the project will be complete.

Detailed information on the status of the project is provided on slides 14 to 16 of the FY21 Results Investor Presentation, available via the Transurban website at **transurban.com**.

Transurban remains committed to the successful delivery of this much-needed project for Melbourne.

1 Low levels of are predicted by the D&C subcontractor to be found in some of the TBM spoil, as found in AECOM's report: westgatetunnelproject.vic.gov.au/__data/assets/pdf_file/0007/550708/AECOM-report-PFAS-assessment-in-groundwater.pdf

Customers

Read how Transurban's strategy creates value for our customers (pages 14 and 15)

8.9M
customers

376K
hours saved by customers every workday

4.29
road injury crash index[1]

Up to
30%
fuel savings on our roads[2]

Our customers expect our roads to get them to their destinations faster, more reliably and safely, and that expectation drives us to continually seek ways to improve their experience.

Providing an exceptional customer experience is at the core of what we do, not only on the roads but behind the scenes, where our priority is to make using our roads as simple and seamless as possible. We are a growing business with an expanding customer base and our value proposition remains strong.

While COVID-19 continues to impact our business with intermittent government-imposed restrictions weighing on traffic volumes, we have observed traffic resilience supported by diversification across markets and commercial traffic.

Customers make around 2.0 million trips on our roads every day, collectively travelling 6.7 billion kilometres in FY21.

In FY21, they collectively saved 376,000 hours in travel time every work day by taking our roads compared to the alternate routes.

UN SDGs relevant to this section

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

1 Below target of 4.50

2 Compared to the next best available route, Australian assets only

–Case study–

COVID-19: Lessons learnt, action taken

The pandemic and natural disasters of FY21 have shown that anyone can experience vulnerability at any time, and practical help is critical.

The wellbeing of our customers has been front and centre these past 12 months, as we expanded our social and financial hardship programs.

We are mindful that the pandemic has made it difficult for some customers to meet their financial obligations and we have responded to these challenges through a range of considered solutions that tangibly benefit people's day-to-day lives.

Since April 2020, our Australian customer support programs have provided $10.1 million in toll credits to more than 41,000 people doing it tough due to the global pandemic.

In January 2021, recognising the continued impacts of COVID-19, we evolved our toll credit program to offer ongoing toll credit support for essential travel through Linkt Assist, which helps customers experiencing financial difficulty.

We also extended our Linkt Assist support services to small business customers in a permanent move that acknowledged the vital role they play in our community. Small business customers going through difficult times can now also access toll credits, along with extended payment terms, fee waivers and deferred account suspension.

This extension was informed through ongoing consultation with financial counselling, legal assistance and community welfare sectors and after our frontline teams observed a significant increase in calls for support from this sector during the pandemic and beyond.

In a further expansion of the Linkt Assist program, we partnered with Good Shepherd, an independent provider of community services, to create Linkt Assist 360. The new service recognises that the most vulnerable Linkt Assist customers are often dealing with issues that extend beyond tolling debt. Linkt Assist 360 offers streamlined and personalised access to services such as financial counselling, as well as family violence, mental health and homelessness support. It aims to restore customers' emotional and financial wellbeing.

In North America, we introduced and expanded offerings to support customers facing hardship. These included reduced and waived fees and extra support under our 'first time forgiveness' program for customers with unpaid travel. From July 2020 to May 2021, the USA team processed 30,610 fee reductions for our customers, with an average invoice value of USD83, and in Canada, several customer initiatives were implemented to assist customers with approximately CAD1.2 million in tolls or fees credited.

While we have strengthened our customer offering through these expanded and additional services, we will review and refine our responses as the pandemic's economic and social impacts continue to affect society over the coming months and years.

On-road experience

State-of-the-art safety and traffic management technology and 24/7 monitoring and incident response make motorists' journeys on our roads as quick, safe and efficient as possible.

Travel-time savings

Travel-time savings are central to our value proposition, with customers benefiting from faster and reliable routes (Figure 2).

While COVID-19 continues to impact our business with intermittent government-imposed restrictions weighing on traffic volumes, we have observed traffic resilience supported by diversification across markets and commercial traffic.

Two of our most recently opened roads in Sydney have offered significant time savings. Customers on the M4 can save up to 40 minutes in the afternoon peak compared to using the alternate route, and NorthConnex is offering 15-minute time savings during peak periods compared to the alternate route, Pennant Hills Road, before the tunnels opened.

However, we recognise the importance of offering our customers a choice about the route they take and have digital calculators available on our Linkt customer website so Sydney and Melbourne motorists can weigh up the benefits of taking a toll road over a free road.

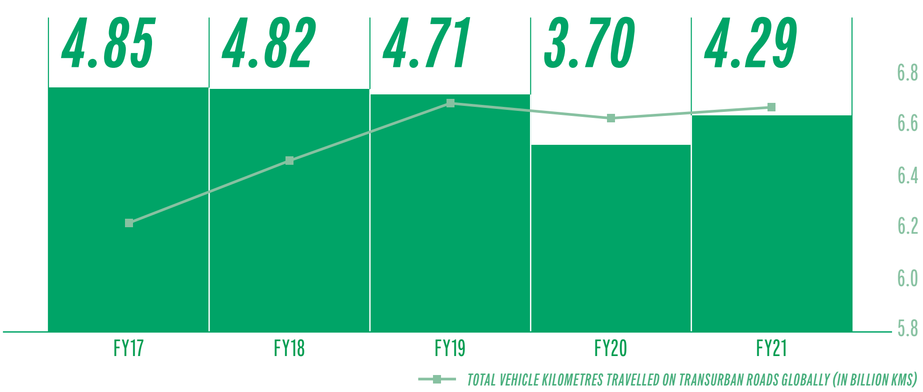
The Linkt Trip Compare calculator also shows fuel and greenhouse gas savings as well as traffic lights avoided.

Less time in traffic, more time for the things you love. The choice is yours.

Figure 2: Annualised benefits across each of our regions

	Average daily traffic (# vehicles)	Average workday travel-time savings (# hours)
Sydney	931,000	229,000
Melbourne	566,000	58,000
Brisbane	407,000	76,000
North America	115,000	13,000

Figure 3: Road injury crash index



Road safety

When customers choose our roads they can rely on them being among the safest in their regions.

However, we are always seeking ways to improve our safety record even further. We do this through on-road initiatives and operations, our research programs as well as community education.

In keeping with best practice, Transurban's Road Safety Strategy is based on the Safe System Approach, which recognises road safety as a shared responsibility—from individuals and businesses who use the roads to those that build and manage the network.

We are aligned with the World Health Organisation targets to address road safety risks, and a United Nations declaration, (as part of Sustainable Development Goal 3) which has set a global goal to reduce fatalities and serious injuries by 50% by 2030.

We track the number of serious injury crashes on our roads through a Road Injury Crash Index (RICI) and set ambitious targets to reduce serious injuries. In FY20 we transitioned from five-year to annual targets to account for new assets and more kilometres travelled by our customers.

With three tunnels—NorthConnex, M5 East and M8—added to our portfolio since July 2020, our target was adjusted to 4.50 injury crashes per 100 million vehicle kilometres travelled. In FY21, we recorded a RICI of 4.29 across all Transurban assets, which means we continue to track under target despite challenges associated with the pandemic (Figure 3).

With fewer drivers on the road during government-mandated restrictions on movement, we noticed average speeds had increased. While there were fewer crashes, injuries were more severe if a crash occurred. Reduced congestion also led to fewer rear-end and side-swipe crashes. However, the number of loads lost on motorways increased in line with more at-home DIY projects.

Rear-end and side-swipe crashes are the common types of crashes on our road. However, our focus on congestion management initiatives has seen those crashes drop from 51% of all crashes on our network in FY20, to 47% in FY21. Side-swipe crashes, mainly as a result of merging, are also down from 11% in FY20 to 8% in FY21.

Read more about our safety approach with our people (page 43) and our contractors (page 56)

Safer roads

Twice as safe
As like roads in Australia

4 star rating
For 91% of travel on our Australian roads

Our rapid incident response crews are always ready to deploy

On-road safety

State-of-the-art safety and traffic management technology and 24/7 monitoring, ensure motorists' journeys are as safe as possible, controlling conditions such as speed limits and lane closures.

Our rapid incident response crews are always ready to deploy and in FY21, we responded to approximately 850 incidents a week across our roads. We use traffic data to identify 'hot spots' to help determine where incident response vehicles should be positioned to ensure a fast response time.

In Queensland, we doubled the number of incident-response motorbikes in our fleet so we now have more bikes that can get to incidents faster.

An independent assessment by the Australian Road Research Board found 91% of travel on our roads to be four star or better, which exceeds the National Road Safety Target of 90% for national highways.

In the Greater Washington Area, where traffic numbers were more impacted by extended restrictions during FY21, we activated speed limit reminder signs that flashed if a car was travelling above the speed limit on the 495 and 95 Express Lanes. In a number of markets we were also able to bring forward maintenance activities in quiet traffic periods associated with COVID-19 shutdowns. In Canada, we installed a new camera system on the A25 to improve monitoring of the road.

–Case study–

Adding AI smarts to 24/7 traffic monitoring

We began our move into a new Traffic Control Centre in Brisbane in July, and once it's fully operational, we'll have eyes on our entire 81 kilometre network of roads, tunnels and bridges across Brisbane from a single high-tech facility.

Managing traffic flow, incidents and emergency response, our operators will work 24/7, responding to over 1,000 incidents every month—including debris, broken-down vehicles and crashes.

The centre will feature artificial intelligence technology to automatically identify incidents and congestion and alert operators. The smart system technology prioritises events, automates routine traffic management and incident response solutions while learning from experience to improve how our motorways are run.

The system dispatches incident response crews based on their availability and proximity to the incident, sending an alert to the assigned team to accept the job with the incident information.

The control room will be notified when the incident is cleared along with details of any road repairs required to ensure our maintenance teams can respond quickly.

We're also trialling radar technology to improve incident detection times on the Inner City Bypass. The radar detectors will identify incidents, lost loads, traffic speed and congestion by alerting our 24-hour traffic control room operators in real time. This technology is similar to the automatic incident detection system in our tunnels. If successful, the radars will be used across the Inner City Bypass, and in future, on the Logan and Gateway motorways.

Research

Our commitment to road safety extends beyond our everyday operations. We invest and participate in research and development that has the potential to improve safety outcomes for motorists across all our markets . We have entered into a second three-year partnership with Neuroscience Research Australia (NeuRA) to continue our support for its research into road safety. We also engage with leading research institutes to understand the latest evidence and how it applies to our networks and the road safety capability of our people. For example, we participate on research panels with the Transportation Research Board in the USA and invite experts to present their work through Transurban Road Safety Talks. This year, the Virginia Tech Transportation Institute presented on driver distraction and the University of NSW presented on driver behaviour in tunnels.

Our partnerships with Monash University Accident Research Centre and The Australian Road Research Board also help us understand the safety issues of our roads and how our performance compares to similar roads. The data and information from analysis and assessments help us improve safety for our customers whether through line marking and signs, technology or behaviour change and communication campaigns.

In FY21 we also conducted research into drivers' use of our roads in extreme weather events such as heavy rainfall, strong winds and extreme heat. The research, which helps us understand how we need to adapt our business and assets to potential future climate change scenarios, found that extreme weather mainly affected how customers drove rather than whether they drove at all. Toll roads were seen as safer, offering dynamic speed controls, better overall visibility, wider lanes and fewer access points. A detailed case study of this research is in our FY21 Sustainability Supplement.

Revive before you drive to fight fatigue: that's the message in a road safety campaign designed by university students

Community education

In FY21, we continued to promote road safety messages to our customers in response to observed incident trends and real-time data. These messages included distracted driving, speeding, driving in wet weather and through work zones; lost loads and cyclists including food delivery services and pedestrians accessing tunnels.

During Global Road Safety Week in May 2021, we created a campaign to raise awareness and educate drivers on the importance of complying with the Red X signs that designated which lanes were closed to traffic.

With our roads ideal routes for freight, we also focused on raising awareness of truck blind spots. Heavy commercial vehicles typically have bigger blind spots and can take up to 40% longer to stop than cars.

National Road Safety Partnership Program figures show that heavy vehicles account for just over 3% of all registered vehicles in Australia but were involved in nearly 14% of all fatal crashes. National Transport Insurance reports that truck drivers were not at fault in 93% of these crashes.

The blind spot campaign included partnerships with the Queensland Trucking Association and Victorian Transport Association to promote the messages through billboard advertising, newsletters and social media channels.

In addition, we continued our support for a behaviour-change road safety campaign, developed by university students. Students at the University of Technology Sydney created campaigns depicting the theme, Revive before you drive to fight fatigue.

The campaign was part of the Re:act behaviour-change program, which we have supported for six years. Re:act gives young adults—who are over-represented in trauma statistics—a voice in road safety so they can influence their own age group of 18 to 25-year-olds and ultimately change their behaviour.

The program, by creative agency Hard Edge, began in Melbourne in 2016, with Sydney, Brisbane and London coming on board from 2018. Selected entries, determined by a panel of industry partners, were shown across digital billboards in the four cities.

reactforchange.com

We invest and participate in research and development that has the potential to improve safety outcomes for motorists

A25 billboard reminding motorists to drive safely

Customer experience

Providing our 8.9 million customers with excellent service is the expectation in our business. Our mandate is to make it easy for them to connect with us, show we care and add value for them.

We are focused on fulfilling these promises by providing an exceptional on-road experience and seamless customer service through our brands—Linkt in Australia, Express Lanes and GoToll in the USA, and A25 in Canada.

In FY21, we saw significant growth in our Australian customer base with more than 500,000 customers joining Linkt from NSW tolling retailer E-way, and Linkt Queensland reaching 2 million customer accounts. Annual growth in customer accounts also continues to be strong with increases of 6.9% in Queensland, 5.6% in Victoria and 10.8% in NSW[1] in FY21.

We continually find new ways to listen, understand our customers' needs, and reflect on what we can do to improve their experience with us including investing in new systems and technology to keep ahead of the pace of innovation and ensure our customers can engage with us across a range of platforms.

Through our 'Voice of Customer' (VOC) listening program, we analyse around 250,000 pieces of feedback from our Australian customers each year and use their responses and insights to improve their experience with us and to avoid any issues. In the USA, where the VOC program was introduced in January 2020 we sent out more than 43,000 customer surveys in FY21.

Making it easy

In line with our promise to make it easy for customers, we continue to invest in improving our digital channels, which for 95% of our Australian customers are the preferred means of interacting with us. Our Linkt app has reached 2 million downloads. We also introduced Lex, an online virtual assistant, that handles routine, service-related queries, freeing up human web chat agents to spend time handling more complex inquiries.

Since Lex launched in December 2020, the service has engaged with around 175,000 customers and offered a resolution. Data shows:

- 40% of chats required no human assistance during agent support hours;
- 5% of chats required no human assistance outside of agent support hours.
- 60% of chats needed follow-up human assistance after Lex offered a resolution.

In the USA, more drivers are now paying tolls from the convenience of their smartphone as our mobile tolling app—GoToll—expanded service from Virginia to four additional states—California, North Carolina, Georgia and Florida. This means that GoToll is now available on 81 roads across the five states.

With GoToll, drivers pay as they go and can easily keep track of toll road trips. The set-up is quick and easy, requires no pre-loading of money into an account, and requires no commitment.

We also ran a campaign to encourage drivers who had missed toll payments to download the app, which may suit their needs better.

In Australia, our LinktGO app, which targets casual users, continues to gain in popularity having been used for 3.5 million trips since launching in 2017. It has won multiple awards for design and customer experience excellence as well as product innovation.

Showing we care

In FY21, we created a Service Plus team in Australia to proactively reach out to customers whose accounts are in arrears and who are likely to experience issues with debt and enter into an enforcement process.

Service ratings[2]

46M
inbound interactions

9 out of 10
interactions are digital

43M
digital sessions (60% of these accessed via mobile)

4.4 / 5
customer satisfaction rating for call centre

After contact by the team, we saw a 30% improvement in customers maintaining their account and outstanding balances reduced by more than 35% over a three-month period.

Adding value

In Australia we have a rewards program offering fuel-discounts for our Linkt customers. Since the program launched in 2019, 68,000 customers have collectively saved more than $1 million.

This year, we grew the program by more than 16% by including discounts for diesel, so more customers have the opportunity to save on fuel costs.

In Queensland, we started a trial partnership with Secure Parking, offering customers discounted parking in Secure Parking carparks in and around the CBD.

Protecting customer information

Throughout the year, we continued to strengthen our cyber-security controls and monitoring to protect our customers' information and privacy to address the increasing threat level in the external environment and changing regulatory landscape.

1 Organic growth, excluding the migration of customers joining Linkt from E-way

2 Australian customer data, does not include North America

Community

Read how Transurban's strategy creates value for our community (pages 14 and 15)

>$2.9M
to targeted programs and partnerships

~38K
community interactions

33ha
parkland operated, maintained or delivered

30%
GHG emission savings for customers using our roads[1]

It's important for us to understand what matters to the communities that surround our roads and projects. Listening to their feedback and acting on what's important to them not only means better social, economic and environmental outcomes, it helps neighbourhoods grow and prosper.

Never has our commitment to engagement been more critical than in the past year, as communities recover from bushfires and floods, and contend with the global pandemic and the ramifications of important social justice movements.

These events reconfirmed the importance of proactively contributing to communities to ensure they can withstand unforeseen issues. They also reinforced the significance of investing in targeted, long-term partnerships, to help community and not-for-profit organisations support others. In FY21, we committed more than $2.9 million to targeted programs and partnerships.

Partnerships such as these reinforce our purpose "to strengthen communities through transport".

UN SDGs relevant to this section

- 3 GOOD HEALTH AND WELL-BEING
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 17 PARTNERSHIPS FOR THE GOALS

1 *Estimated on our Australian assets*

–Case study–

COVID-19: Lessons learnt, action taken

In FY21, many of the traditional ways we interact with the community were sidelined by pandemic restrictions. More than ever, we relied on digital and online engagement.

For example, instead of an in-person community event to open the M8 tunnels, we created an interactive portal to replicate a live experience of travelling in the new tunnels as closely as possible. The portal offered 360° narrated tours of the tunnels and St Peters Interchange and to date there have been more than 45,000 unique visits to the site.

While digital communications allowed us to reach more people and hear a wider range of views, it also highlighted the issue of digital exclusion, particularly for the elderly or those without access to technology and the need to ensure we used a variety of communication channels. In the USA, we donated laptops to Computer Core, a not-for-profit community organisation so that its participants could continue to learn remotely and safety from their homes.

The year's challenges also demonstrated the importance of aligning our investment and community support to where it will have the most impact, at a time when investors are increasingly looking for evidence of tangible outcomes.

We subscribed to Business for Societal Impact (B4SI), formerly known as the London Benchmarking Group (LBG), widely regarded as the international standard for measuring corporate community investment. This new partnership will help us clearly understand, measure and report on the impact of not just our social and community investments, but also how to capture the impacts of our social procurement and other business innovation initiatives, intended to deliver greater social benefit. In our first six months of using the framework we have focused on improving data collection processes to better understand the inputs, outputs and impacts.

Initiatives such as these reinforce our purpose "to strengthen communities through transport".

westconnexm8.com.au

Minimising our impacts

We recognise that the transportation industry is a significant contributor to greenhouse gas (GHG) emissions and that it is incumbent upon us to take direct action to minimise the environmental impacts of our operations and projects.

Figure 4: GHG inventory (tCO_2e)

	FY19	FY20	FY21
Scope 1	3,393	4,213	4,748
Scope 2	118,953	132,742	192,990
Scope 3	503,423	634,213	425,466
Customer emissions	995,571	1,156,130	1,195,728

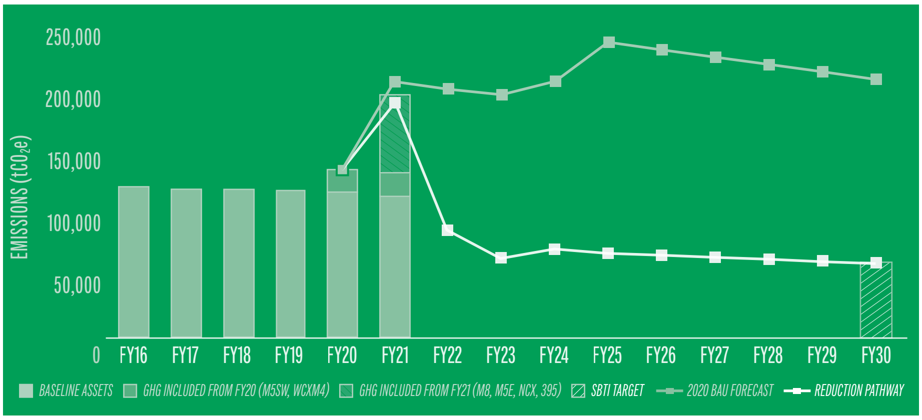


Figure 5: 50% reduction in Scope 1 and 2 emissions by 2030

In FY21, we committed to achieving net zero GHG emissions by 2050, establishing a long-term goal beyond our existing 2030 targets, which have been externally validated by the Science Based Targets initiative in line with climate science. Our net zero commitment comprehensively covers our Scope 1, 2 and 3 GHG emissions, accounting for fuel and electricity use, supply chain emissions, and major project development.

Across FY20 and FY21 our Scope 1 and 2 GHG emissions increased as new assets started becoming fully operational. Despite this business growth, we forecast GHG emissions to reduce in the near term as we shift towards renewable energy and continue to deliver our energy-management program to reduce Scope 1 and 2 GHG emissions. This includes a multi-year program of lighting upgrades, ventilation optimisation, and transitioning our vehicle fleet to more fuel-efficient and electric vehicles. We now have eight plug-in hybrid electric vehicles and plan to use zero-emission vehicles as suitable models become available.

Electricity use represents 98% of Transurban's total Scope 1 and 2 GHG emissions, the bulk of which is used to power lighting on our roads, tunnel ventilation systems and our traffic management centres.

We continue to retrofit lighting on our roads and tunnels to energy-efficient LED. Street lighting upgrades delivered to date and planned for FY22 will result in annual energy saving of 2,000 kWh or 1.2% compared to our 10 in 10 energy target 2013 baseline year.

The NorthConnex tunnels, which opened in October 2020, have LED lights throughout, which will reduce energy consumption and associated GHG emissions by an estimated 83,000 tonnes over the life of the asset. Variable speed drive fans, which allow the fan speed to be adjusted based on the number of vehicles travelling in the tunnels, will provide a further 44% energy savings compared to standard ventilation systems.

From May 2021, energy needs for our Sydney roads started to be met by renewable wind energy. Once fully operational, the Sapphire and Bango wind farms in regional New South Wales will provide up to 80% renewable energy for the majority of our Sydney assets, saving up to 74,000 tonnes of GHG emissions per annum. We also have a Power Purchase Agreement (PPA) for our Queensland roads, with renewable energy to provide the majority of power for our roads there from early 2022.

To achieve our net zero target, we will set contractor targets for fuel efficiency and aim for contractor vehicles to be zero-emission vehicles by 2030. We will continue our lighting upgrade and ventilation optimisation programs as well as convert to renewable energy to power our Victorian and North American assets.

Our two Scope 3 targets relate to emissions from major projects as well as our supply chain. We are actively engaging with our partners on workable solutions to reduce emissions.

See Business partners and suppliers (page 51)

Figure 6: GHG emission reduction targets

Scope 1: Fuel	*Scope 2: Electricity*	*Scope 3: Purchased goods and services*	*Scope 3: Capital projects*
50% absolute reduction by 2030		22% intensity reduction by 2030	55% intensity reduction by 2030
Net zero by 2050			

Read about our commitment to net zero at transurban.com/netzero


Sapphire Wind Farm in NSW provides renewable energy to power our roads
Image supplied by CWP Renewables

Customer vehicle emissions

From the design of our roads to technology and customer education that promotes efficient driving, we are committed to reducing our customers' vehicle emissions. These emissions are not formally within our direct control or part of our Scope 3 targets, but we acknowledge their impact on the environment and our responsibility to take action to try and minimise their impact.

We recognise this is a challenging task but look forward to supporting the uptake of low and zero-emission vehicles (ZEVs) which will pave the way to reducing road transport's impact on the environment. We are working to identify the role we can play and potential for partnerships to encourage their greater uptake in Australia, where sales have lagged behind many other developed nations.

In Montreal, we collaborate with the Government of Quebec in a toll-exemption pilot program for registered electric vehicles using the A25. The program is being extended after initial success with EVs now representing 7.5% of traffic on the A25.

Meanwhile, we track and analyse vehicle emissions to understand trends and assess the relative performance of our assets. Our analysis shows that, on average, customers on Australian Transurban roads—where the traffic is more free flowing—save 30% in fuel and GHG emissions compared to alternative stop/start routes.

Design and technology to keep traffic moving also play a vital role. NorthConnex has a smoother and flatter road gradient allowing vehicles to maintain travel speed, reducing emissions and resulting in better fuel efficiency, and on CityLink we have introduced lighting to keep traffic moving at a consistent speed.

Air quality

Maintaining good air quality on our roads and projects is vital to ensure the health and safety of surrounding neighbourhoods, which is why we listen and act on any community concerns.

Tunnels provide air quality benefits by removing heavy vehicles from local streets and moving them underground. Modelling predicts that air quality on busy Pennant Hills Road will improve by up to 38% due to trucks being rerouted to NorthConnex.[1]

We are required to meet stringent air quality measures for tunnel operations, which are reported to and enforced by the relevant environmental authority in each state. Our air quality monitoring includes in-tunnel conditions, ventilation outlet emissions, and ambient air quality around tunnel portals. Generally, the air quality in our tunnels is well within the annual limits set by environmental agencies. Across our tunnel projects we also monitor air quality around the site to understand local conditions. This helps measure changes to local air quality once a tunnel opens. We regularly publish air quality data from our road projects and tunnels publicly on our customer website, linkt.com.au. A summary of air quality emissions for each road is available in the FY21 Sustainability Supplement.

In Sydney, we have been pleased with the results from plant breathing walls, which we trialled on the M2 and Eastern Distributor in FY20 to determine their impact on air quality. The University of Technology Sydney reported that the walls performed well with nitrogen dioxide reduced by an average of 53%, ozone by an average of 29% and particulate matter—PM2.5—reduced by an average of 23%. Given the effectiveness of the breathing walls, developed by a business called Junglefy, we will consider using them as appropriate opportunities arise.

1 *NorthConnex Environmental Impact Statement—Section 7.3 Air Quality Part 2 page 505, July 2014*

Go far on less

A trial to track our customers' driving behaviour has found that they can save fuel and GHG emissions by almost 6% by driving more smoothly.

We launched the eco-driving trial in April in partnership with technology business GoFar to raise awareness of how driver behaviour affects vehicle emissions.

The trial involved 400 Queensland Linkt customers fitting a smart device to their vehicle to monitor its efficiency.

We received a positive response to the trial with all devices being taken up within a few hours of being offered to customers.

Prior to the customer trial, we successfully tested the device with 41 employees from our Brisbane office.

Eco driving trial

400
drivers

588,094
total kilometres travelled

38,709
trips taken

5.9%
reduction in average fuel consumption/GHG emissions

More than roads

Parks, open spaces, cycle ways and art installations are just some of the lasting legacies that accompany our projects.

In FY21, our public art program Canal to Creek progressively opened. The program will see 18 commissioned artworks activate new and existing parklands in the WestConnex corridor in Sydney over time.

From artist-designed playgrounds, large-scale murals and immersive lighting installations, a writer's walk and contemporary sculpture, the art trail will leave a cultural legacy for the community to enjoy.

To accompany the public art program, we developed an interactive education arts portal for high school students, which aligns with the NSW curriculum.

The portal enables students to engage with 360-degree imagery of the Canal to Creek artwork, learn directly from acclaimed artists about how their works were created and access other interactive resources.

WestConnex partnered with the Visual Arts and Design Educators Association (VADEA) to deliver the initiative, which Co-President Nicole DeLosa said has ensured public art is accessible to students, no matter where they live.

In Sydney, we engaged Landcare Australia to undertake an ecological survey at our regeneration site next to the M2. Indigenous plants have increased from less than 1% to more than 90% in five years due to bush regeneration and weed control. It is now common to see native animals such as echidnas and swamp wallabies at the site, which is just 12 kilometres from the CBD.

Greenspace

33 hectares of parkland operated, maintained or delivered by Transurban

Community spaces

Five social spaces including playgrounds and BBQ areas delivered or operated by Transurban

Cycle and pedestrian paths

More than 1,450 kilometres of walking and bike paths delivered or maintained by Transurban

Public transport

35 public transport routes use our roads

Road art

25 artworks installed along our roads

Visit the Canal to Creek portal at canaltocreek.com

Leaving a legacy: WestConnex's Canal to Creek artworks

Community engagement

We understand major infrastructure projects are disruptive to build which is why we work hard to minimise impacts on neighbours and have dedicated teams who engage with the community through lengthy construction periods and beyond.

We are mindful that our responsibility to be good neighbours does not end when a project is completed and that it is just as important to engage with communities in meaningful and consistent ways over the long term.

In FY21, our project teams had around 38,000 interactions with the community, including almost 7,000 in the USA, almost exclusively through virtual meetings.

In Melbourne, we and our partners on the West Gate Tunnel Project team developed a pilot program to respond in a practical, caring way to householders' mental health concerns due to ongoing construction work. The program offered different forms of respite including cleaning services, grocery vouchers and temporary relocation.

We know that the safe management of tunnel spoil which contains low levels of a group of chemicals known as PFAS, is of concern to communities near the spoil disposal site—recently selected—for this project. The Hi-Quality Group's Sunbury Eco-Hub site meets all EPA and other regulatory requirements to ensure that spoil disposal is managed safely for workers and the community. We will continue to work with our D&C subcontractor to ensure that community concerns are heard and responded to.

In Sydney where construction of WestConnex—Australia's largest single road project—is continuing, we have taken a 'micro-engagement' approach. Our team interacts with community members individually to understand and respond to any issues or concerns. To connect, they use social media, traditional media, community notifications, face-to-face engagement, street meetings and 24/7 access.

We engage a research agency to track community sentiment towards the project and positive sentiment has risen from 56% in 2019 to 68% in 2020 across Greater Sydney. We attribute this to our personalised approach, along with the positive and tangible benefits the project is bringing to the local community, including green and recreational spaces along with active transport links.

Social and financial inclusion

Social and financial inclusion have been elevated to the forefront this past year, but they are far from new priorities for us. We use our Social Investment Framework to direct our support to areas that matter most to our stakeholders, focusing on three major areas: road safety, education and training, and local communities.

Targeted partnerships, aligned to our Social Investment Framework, help us to have the most impact. Partnerships provide us with expertise to deliver pioneering road safety initiatives, enhancing the liveability of the communities around our roads.

They also help equip community members with practical skills and items (such as cars and driving lessons), helping them participate more equitably in life.

Financial inclusion

For some time, we have been actively seeking ways to be a more socially and financially inclusive business for all our stakeholders, having launched our first Financial Inclusion Action Plan (FIAP) in early 2019 and second Innovate Reconciliation Action Plan (RAP) in May 2020. This progress underpinned our response to the challenges of FY20.

In many cases, we accelerated and exceeded a number of our FIAP commitments in response to COVID-19.

Of our 21 actions, 18 have been verified by FIAP program managers Good Shepherd Australia New Zealand as 'in place', with the remaining three 'in progress'.

Taking action for reconciliation

Our RAP aims to create meaningful relationships, enhance respect and promote opportunities for Aboriginal and Torres Strait Islander Australians.

These goals have seen us partner with a range of organisations that help Indigenous people secure education and jobs.

In FY21, we funded an annual youth development camp for Aboriginal and Torres Strait Islander students along Sydney's WestConnex corridor, through our partnership with the NSW Aboriginal Education Consultative Group.

Students learnt about STEAM (science, technology, engineering, art and mathematics) subjects and connected with WestConnex engineers, while their teachers received professional development training, helping them maintain their NSW teacher accreditation.

Through our partnership with the Queensland Aboriginal and Torres Strait Islander Foundation we also created and funded the Paiabun Kurumba STEM (science, technology, engineering and maths) Scholarship, covering the cost of expenses such as textbooks and laptops, and pairing students with Transurban mentors.

In Victoria, we built upon a strong relationship with the Melbourne Indigenous Transition School, a year 7 school for Indigenous students from remote and regional communities. Our employees helped the school with projects and risk management.

Figure 7: Transurban's Social Investment Framework

Major partners

Road safety	Education and training	Local communities
• NeuRA • KidSafe • Sober Ride • Blue Datto • Re:act	• Virginia Foundation for Community College Education • The Smith Family • The Salvation Army • West Gate Kids	• Community Grants program (Australia and USA) • Run for the Kids • Bridge to Brisbane • The Little Treasures Foundation (Canada)

Find out more about our partnerships at transurban.com/partnerships

Where there's a wheel, there's a way

Learning to drive can be challenge any time, but particularly without access to an instructor or car.

We support various programs to help people learn to drive, recognising that having a licence can improve their employment and social opportunities.

In FY21 we gave $175,000 to support four driver training programs across our Australian markets including our Brisbane partner, Women at the Wheel, which helps refugee and migrant women, including survivors of domestic and family violence, obtain their licences.

In Sydney, in additional to our financial support, we also provided cars to our partners KARI Foundation and The Salvation Army for the learn-to-drive programs.

KARI Foundation helps young indigenous people to get their licence, where cultural and community mentors help young people with group and individual training. In Melbourne, we support the City of Moonee Valley's Drivelink program, which helps newly arrived migrants and refugees gain supervised driving practice.

Our people

Read how Transurban's strategy creates value for our people (pages 14 and 15)

Our values

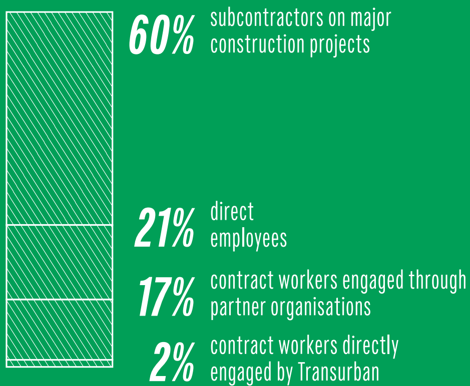
- Integrity
- Collaboration
- Accountability
- Ingenuity
- Respect

We owe our success to our talented and diverse team, and a resilient and adaptive culture where everyone has the opportunity to thrive.

Transurban's direct workforce is made up of more than 3,200 people, however our day-to-day operations and major infrastructure projects rely on a much larger workforce, in total, more than 8,000 people.

Our culture is underpinned by personal accountability and corporate responsibility, where a range of ideas and views are encouraged. Our workforce is diverse, so creating a culture that supports everyone is critical to our success.

Figure 8: Total workforce



In such changing and challenging times, it has never been more important to listen to our people, support their wellbeing, and continue to foster the productivity, ingenuity and collaboration that will support them as well as the continued growth of our business.

UN SDGs relevant to this section

–Case study–

COVID-19: Lessons learnt, action taken

We continue to adapt to the impacts of the pandemic across our markets, having maintained our workforce and supported our people's wellbeing throughout FY21.

While we had well-established flexible work practices before the pandemic, extended periods of remote work have highlighted the need to keep our employees closely connected.

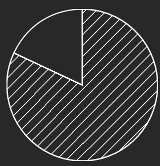
We continue to focus on keeping our employees collaborating, whether they are at home or in the workplace utilising regular CEO video updates and virtual business updates.

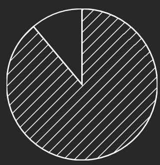
We encouraged employees to participate in wellbeing and fitness challenges and to share their own stories—perspectives on working from home with children or how they keep healthy in isolation. With some regions facing long periods of restricted movement, we tailored our engagement by market. In FY21, we partnered with The Resilience Project to provide mental health support and resources for all employees. We also ran three pulse surveys, in which results were consistently strong, with 87% of our people feeling positive about the way we had responded to COVID-19.

We continue to have a range of flexible work options available to all employees when they need, including flexible working hours and job share arrangements. We are proud of our workspaces that are designed to foster collaboration and look forward to welcoming more of our people back to the workplace as circumstances permit across our markets.

Figure 9: Our people feel positive about our response to COVID-19

82%
have the tools and support to work productively





89%
feel their people leaders genuinely support their wellbeing

Positioning for future growth

During FY21 we realigned our enterprise operating model to position Transurban for the next phase of growth.

Recognising the close ties between customer experience and technology we combined these areas, now headed up by Group Executive, Customer and Technology, Simon Moorfield who joined the business in October 2020. Hugh Wehby also commenced in the same month, into the new Group Executive, Partners, Delivery and Risk role. Hugh is responsible for our strategic partnerships with investment partners, major project delivery, developing new project opportunities, risk and safety.

In the USA, Pierce Coffee was appointed President of Transurban North America in February 2021 having played an integral role with our business since 2009. In March 2021, Michelle Jablko joined Transurban as Chief Financial Officer. Her remit includes corporate affairs and social licence, and our social investment framework.

With the new executive team now in place, the Group's operating model will continue to evolve ensuring Transurban is well positioned for future growth.

Diversity and inclusion

We believe having a workforce that reflects our diverse communities is fundamental to our business success and understanding all of our stakeholder groups. Diverse thinking and opinions are important to inform our strategy and help make Transurban a workplace where everyone feels valued, respected and included.

In this year's 'Our Voice' survey 87% of employees felt that Transurban valued all types of diversity and 84% of employees believed people from all backgrounds had equal opportunity to succeed at Transurban. These results have increased 10% and 17% respectively since 2019.

We believe it is important to celebrate our differences by marking significant days, including National Reconciliation Week in Australia, Juneteenth in the USA, and Quebec National Day in Canada. We recognise LGBTQI+ awareness events and International Women's Day across all our regions. There are also more formal approaches such as our Reconciliation Action Plan, which focuses on building and deepening inclusive relationships and partnerships with Aboriginal and Torres Strait Islander peoples.

'Our Voice' survey also revealed

87%
of employees believe Transurban values all types of diversity (+10% from 2019)

96%
of employees believe that gender-based and sexual harassment is not tolerated at Transurban

87%
of employee feel they can speak up about our risks

Listening and acting on feedback from the 'Our Voice' employee survey

Understanding how people feel about their work and workplace is key to creating an engaging employee experience. We conduct an annual employee opinion survey, 'Our Voice', to gather feedback around confidence in leadership, our customer focus, commitment to diversity and inclusion, and more. In FY21, we also ran regular 'pulse' surveys to ensure our people were feeling supported and connected during the pandemic.

Figure 10: Employees who would recommend Transurban as a great place to work

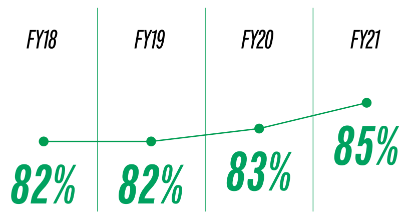


Figure 11: Workforce gender

♂ Men ♀ Women

Direct workforce

♂ 60% ♀ 40%

Executive (excluding CEO)

♂ 44% ♀ 56%

Board (including CEO and new board members[1])

♂ 75% ♀ 25%

1 *New board members Ms Patricia Cross and Mr Craig Drummond commenced as Non-executive Directors on 1 July 2021*

Over the past 12 months, a number of Australian workplaces have come under scrutiny after reports of inappropriate behaviour, particularly in relation to sexual harassment. A recent Australian Human Rights Commission report found that workplace sexual harassment was an issue across all industries, locations and organisational levels. In response to the findings, our CEO addressed all employees clearly stating expectations regarding employee conduct at Transurban. We have also signed up to the Diversity Council of Australia's #IStandForRespect campaign. Further work is underway to ensure our people can recognise and respond to situations of inappropriate behaviour should they arise.

Our commitment to gender diversity is reflected in our Executive team where we have a 50% gender balance (Figure 11). Our gender pay gap is reviewed annually and continues to be less than or equal to 1%. We have been recognised for our effort, holding the Workplace Gender Equality Agency citation for six consecutive years and were placed in the top 10 of ASX200 companies in the Chief Executive Women ASX200 Senior Executive Census.

During FY21, we also reviewed our diversity and inclusion portfolio resulting in a refreshed policy and objectives, reflecting our commitment to a diverse workforce and inclusive workplace. Our Family Violence Support Policy was also updated and, in partnership with Good Shepherd, we offered Family Violence Awareness training to all of our employees and people leaders.

–Case study–

Creating a more inclusive future in North America

In the past 12 months, the economic and political disadvantages faced by people of colour have captured the public consciousness not only in the USA, but across the world. Recognising the impact of this heightened focus on our people's wellbeing, we facilitated listening sessions to provide employees with a safe space to ask questions and share personal perspectives.

Feedback provided in these sessions resulted in a suite of actions, guided by best-practice principles, which aim to increase representation across stakeholder groups, facilitate greater transparency and equip employees with tools to support inclusion.

Activities to date include:

- an expert speaker series exploring a historical perspective, highlighting how racism is perpetuated by infrastructure resulting in inequitable access to goods and services, including public transport
- an internal storytelling series sharing employee experiences, promoting allyship and change
- increasing reporting and measurement, including gender and race/ethnicity equity reviews
- establishing a target to have 42% diverse representation among mid-senior level positions
- partnerships with organisations like the Conference of Minority Transportation Officials (COMTO) and WTS to progress thought leadership.

Health and safety

In FY21, we maintained our strong focus on our people's physical and mental health. This was reflected in 'Our Voice' results, with 80% of employees feeling as they can influence Health, Safety and Environment (HSE) outcomes at Transurban.

We expect that our people keep themselves and their colleagues healthy and safe, while also minimising our impacts on the environment. Our employees have HSE Action Plans which record their teams' activities to enhance our HSE culture and ensure accountability for a healthy and safe work environment (Figure 12). We encourage our people to proactively record HSE observations and in FY21 we recorded more than 25,000 entries.

In FY21, there was one recordable employee injury, which required medical treatment for wellbeing and ergonomic-related factors (Figure 13). All injuries are investigated with learnings applied to prevent future incidents.

Our HSE culture and activities have been enhanced through a number of initiatives focused on ensuring our processes are fit for purpose and that our employees understand the HSE obligations associated with the roles they perform. Continued analysis of HSE data using analytics software has provided insights to enhance HSE performance.

We proactively supported our people to reduce sedentary time and ensure their home workspace was set up safely. This included issuing ergonomic equipment, conducting ergonomic assessments and running programs aimed at promoting increased physical activity during the workday.

Read more about our safety approach with our customers (pp 29) and our contractors (pp 56)

Figure 12: HSE Action Plans

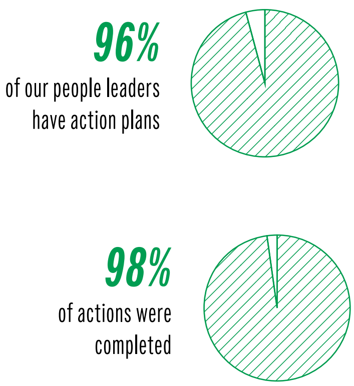
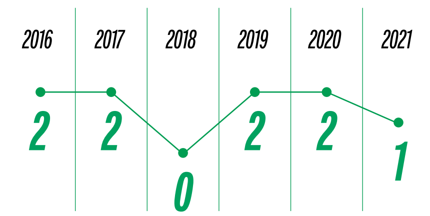


Figure 13: Employee injuries



Leadership and capability development

Building our workforce's leadership and broader capability remains a key priority, vital to our ongoing success, ability to innovate, and overall productivity.

This is particularly important given the emerging pressures in key segments of the workforce and the infrastructure-led recovery efforts underway. In addition to formal development opportunities, we provide tools and resources, encouraging our employees to be curious learners and drive their own development.

In FY21, we invested in our talent platform to improve the user experience and help us better understand our people's capabilities, experiences and aspirations. We also continue to leverage our online learning platform, with a 50% increase in online learning hours compared to last year.

We are also equipping our most senior leaders to enable the organisation to deliver on the growth opportunities ahead. In partnership with Stanford Graduate School of Business Executive Education, we launched our new Strategic Leadership Program aimed at leaders who have a strategic impact on the organisation.

We also acknowledge the important role our people leaders play in helping their teams perform and grow. In our latest, 'Our Voice' survey, 82% of respondents said their managers provided useful feedback about their performance. Our virtual people leader forums continued in FY21, encouraging our leaders to share their experiences and learn from each other. We also introduced a Business Leadership Program to complement our Foundation Leadership Program launched in FY20.

Betsy Berenback-Gold started at Transurban as an intern and is now a Business Intelligence Development Analyst

Graduate recruitment North America

The new program, aimed at established mid-to-senior people leaders, is designed to develop resilient enterprise leaders who drive innovation, transformation, and operational excellence.

Developing a strong pipeline of emerging talent is vital and in FY21 we refreshed our graduate program, evolving our approach to attraction, selection and formal development, including new recruitment materials featuring current graduates. We continued with strategies to build a diverse talent pipeline, offering internships for STEM students from refugee background through CareerSeekers in Australia. In the USA, we partner with Genesys Works, who provide opportunities for diverse high school talent to develop their capabilities in technology-focused roles.

We have refreshed our women in leadership development program for female mid-level talent and our Females Excelling in Engineering and Technology (FEET) mentoring program. FEET, which has been in place in Australia since 2014, sees university students guided through various professional growth opportunities. A recent survey saw the program receive a Net Promoter Score (a measure of participant advocacy) of 100%.

Social connections

Our employees recognise the importance of supporting the community and we have a well-established volunteering program. Our people rated social connection at Transurban at 95% in this year's 'Our Voice' survey. Due to the pandemic, volunteer opportunities were mostly offered virtually, including mentoring for education initiative Energy Breakthrough, where Victorian students, teachers and local industry work together to design a vehicle. The program encourages participants to use the latest technology, while considering its impact on the environment and the way people live locally and globally. In the USA and Canada, teams donated meals to hospitals and supported local business through donations or patronage.

In December, we provided a $100,000 donation in lieu of an end-of-year social event in Australia. Our people voted on the distribution of funds, with $39,000 going to mental health support service Beyond Blue, $30,000 to Foodbank, $23,000 to The Smith Family and $7,000 to The Salvation Army Australia. In the USA we provided USD189,075 to 55 non-profit organisations during FY21, while in Canada we donated to various non-profit organisations and food bank organisations.

Government and industry

Read how Transurban's strategy creates value for government and industry (pages 14 and 15)

Over the past 20 years Transurban has partnered with governments in Australia, the USA and Canada—to develop, deliver and operate roads that underpin the prosperity and liveability of the cities they serve.

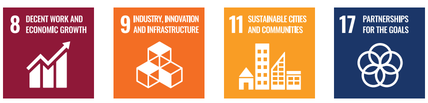
Despite the challenges presented by COVID-19, three major road projects were opened to traffic or commenced tolling in FY21, the M8, M5 East and NorthConnex in Sydney, while progress continued on seven others—including the West Gate Tunnel Project in Melbourne, M4-M5 Link tunnels in Sydney, the 495 Express Lanes Northern Extension and the Fredericksburg Extension in the Greater Washington Area (see Project Updates starting on page 24).

These projects kept thousands of people in jobs throughout COVID-19 restrictions and their legacy will strengthen the economic fabric of each city by connecting people to jobs, and business together. For example, the opening of NorthConnex delivers the 'missing link' in the National Highway route and provides freight operators a way to bypass the gridlock previously experienced on suburban streets.

These achievements are the result of our strong working relationships with our government partners, built on the shared goal to use transport infrastructure to improve mobility for users today, and as a way to position cities for future growth.

Infrastructure projects will remain a key priority for governments as they navigate their way through COVID-19 and beyond. Whether that be optimising transport infrastructure ahead of the 2032 Olympics in Brisbane or looking for ways to improve the safety and performance of existing infrastructure as a means of creating jobs and future proofing cities. Data insights are key to those decisions.

UN SDGs relevant to this section



—Case study—

COVID-19: Lessons learnt, action taken

After a year in which significant portions of the workforce worked from home[1], research conducted on behalf of Transurban shows most people (86%) still expect to do most of their work at their workplace in both Australia and North America[2]

Despite the huge steps made towards a culture of flexible work during the pandemic, the survey results published in our *Urban Mobility Trends from COVID-19 Industry Report*, showed that many people expect to go back to working traditional hours from their workplace.

In Australia, 51% of respondents had access to flexible work arrangements prior to COVID-19, but only 8% of all workers who had no access to flexible work pre-COVID-19 expected to be offered this option post-pandemic. This leaves 41% of workers either unable to work flexibly or unsure as to what options they will have in the future. This uncertainty comes at a time when there is large appetite for flexibility, with nearly 70% of respondents saying they would be more willing to return to the workplace if flexible hours were offered.[3]

As COVID-19 restrictions eased across Australia during FY21, we observed traditional peak hours returning on the roads, in part driven by a return to 'normal' hours at the workplace and exacerbated by the fact that more people were opting for travel in private vehicles than public transport.

At the time, these trends were not yet as pronounced on our roads in the USA, given the extended impacts of the pandemic on people's movements.

Flexible work—in particular staggered hours—could and should play a role in transport planning, but will require a coordinated approach between public and private sectors and the participation of large, medium and small employers.

We have shared this research with governments to consider and will continue to monitor mobility trends as they evolve.

Read more on our website transurban.com/mobility-report-1h21

1 Infrastructure Australia, Infrastructure beyond COVID-19: A national study on the impacts of the pandemic

2 Survey conducted by Nature in July 2020, of 4,500 respondents from Sydney, Melbourne and Brisbane in Australia; Greater Washington Area, USA; and Montreal, Canada

3 Survey conducted by Nature in January 2021, of 3,308 residents across Sydney, Melbourne and Brisbane

Progressing transport agendas

In February 2021 it was announced that Transurban and our partner Macquarie Capital had been selected by the Maryland Department of Transportation (MDOT), MDOT State Highway Administration and Maryland Transportation Authority to deliver Phase 1 of the Maryland Express Lanes Project (also known as the American Legion Bridge I-270 to I-70 Relief Plan), to help relieve one of the most congested road corridors in the United States (see Project Updates page 25).

Transurban is working closely with the Maryland Government to ensure the project delivers on the shared vision to relieve congestion and develop a safer, multi-modal link between key economic centres in Maryland and Virginia. The project would see high-occupancy toll lanes, similar to the Express Lanes in Virginia, delivered to approximately 60 kilometres of highway from the Potomac River to I-70 in Frederick County, Maryland. At the same time the American Legion Bridge would be rebuilt and widened so motorists can choose to travel on free or tolled lanes between Virginia and Maryland.

Congestion relief and multi-modal transport options, road safety and workforce development were a key focus of the proposal

Once complete the project would deliver bicycle and pedestrian connections across the bridge, improving active transport options for the community. Buses or vehicles with three or more people would be able to use the new Express Lanes for free, incentivising motorists to carpool or use public transport.

Over the life of the agreement Transurban and our partners have proposed transit services valued at USD300 million along the first section alone. A further USD50 million is proposed for community organisations through a grants program, while USD25 million is earmarked for an innovation alliance to support emerging technologies.

In addition to congestion relief and multi-modal transport options, road safety and workforce development were a key focus of the development proposal.

Our comprehensive approach to local workforce development includes:

- partnerships with small/women/minority/veteran-owned businesses
- union and local contractor involvement, and
- engagement with local community organisations and educational institutions.

During construction Transurban and our partners proposed to commit around USD5 million to Montgomery County's Vision Zero plan, which aims to eliminate serious and fatal collisions for vehicle occupants, pedestrians, and cyclists by the end of 2030.

The work with Maryland Government builds on our commitment to support multi-modal transport in neighbouring Virginia, where we contribute USD15 million annually in transit payments as part of the 395 Express Lanes.

Encouraging greater uptake of public transport, Transurban's Express Lanes provide free travel for more than 4.1 million travellers annually. Express Lanes provide free and quick travel for commuters and 'sluggers', who wait to be picked up from I-95 'slug lines' in adjacent roadway communities. This informal carpooling system helps relieve congestion on the alternative untolled lanes and provides customers in vehicles with three or more occupants access to the quicker tolled lanes for free.

In addition, Transurban will make an up-front capital investment of USD5.2 million as well as an annual contribution of USD2.2 million to support a new cross-state bus service between Tysons, Virginia and Bethesda, Maryland, under the 495 Northern Extension Project.

NSW inquiry into road tolling regimes

In March 2021 the NSW Legislative Council's Transport and Customer Service Committee launched an inquiry into road tolling regimes in NSW.

The inquiry provided Transurban with an opportunity to outline the economic, social and environmental benefits provided by private investment in Sydney's toll road network, as well as put forward ideas on how the industry could be improved.

In independent research commissioned by Transurban, KPMG estimated that Sydney's toll road network will create A$35.8 billion in economic benefits over 30 years due its accelerated delivery by the private sector. Businesses and freight users will realise an estimated A$11.8 billion in benefits through travel-time savings, reliability gains and reduced operating costs. Personal users stand to gain A$9.4 billion in similar benefits, KPMG estimates.

Furthermore, the toll road network will contribute an estimated A$14.5 billion in wider economic benefits by significantly improving access to economic centres and increasing participation in the labour market.

Transurban made a joint submission with WestConnex to the inquiry, in which we provided detailed information on average customer spend across different areas of Sydney. On average, Linkt consumer accounts spend A$9.52 per week on tolls, with 74% spending A$10 or less per week. For commercial accounts, average spend is A$89 per week, with 88% spending $100 or less per week.

However, there are inequities across the toll road network which are the result of variations in existing tolling methods and subsidies across the Sydney network—the by-product of decades of toll road development in the city.

With more toll roads planned for the next decade, the inquiry presented a valuable opportunity to engage with policy makers and take a pragmatic look at tolling regimes to create a fairer proposition for customers. Other ideas put forward in our submission include trialling decision-point signage to help inform customer choice, consolidating toll notices to reduce customer charges, and exploring ventilation optimisation trials in tunnels to reduce energy consumption and greenhouse gas emissions, in line with the NSW Government's commitment to net zero by 2050.

We look forward to further engagement with the committee in public hearings later in 2021 (following a postponement due to COVID-19).

—Fresh thinking—

Our ideas for improving Sydney's toll road network

- **Network-wide tolling reform for pricing consistency:** Work with government to take a fresh and pragmatic look at tolling regimes to remove price discrepancies to create a fairer proposition.
- **Decision-point signage to give motorists choice:** Make it easier for motorists to decide whether taking a toll road is right for them by displaying travel times for the toll road and alternate route.
- **Consolidated toll notices to reduce customer charges:** Reduce fees by simplifying toll notices, so a customer only receives one toll notice for three days of travel across the Sydney network, instead of one for each trip.
- **Ventilation optimisation trial to support NSW Government's net-zero commitment:** Save electricity and greenhouse gas emissions by reducing ventilation at night when traffic is light and it is safe to do so.

Contributing to policy development

As a leading developer and operator of toll roads in Australia, the USA and Canada we have a responsibility to our government partners to share our business insights and proactively contribute to policy development to improve safety and performance of all roads.

One area where we provide considerable input is into road safety policy. In the past year we have provided input into the National Road Safety Strategy 2021–2030, the National Heavy Vehicle Regulator, Heavy Vehicle Safety Strategy 2021–2025, the NSW 2026 Road Safety Action Plan, the Safer Roads, Safer Queensland Forum 2022–2031, and the NSW Food Delivery Rider Safety Taskforce.

The issue of food delivery cyclists travelling through road tunnels and on motorways is an area of particular focus for us and our state government partners. Transurban has been raising awareness of the issue through media and stakeholder engagement with food delivery companies for a number of years. As a result, the NSW Government invited us to participate in a cross-industry roundtable to advise its taskforce on our experience with these risky behaviours. The taskforce was established in November 2020 to develop a plan to address safety issues for the food delivery rider industry.

In the USA, important legislation, which bans hand-held cell phone use while driving went into effect this year. We were strong advocates for this legislation and remain involved in Virginia's steering committee overseeing the full implementation of this law.

Transurban's commitment to helping drive positive future policy outcomes is also illustrated in our engagement on the new national Cybersecurity Framework. The Federal Government's shakeup of existing frameworks is geared at improving cyber protections for critical infrastructure, including roads, hospitals, electricity networks and defence. As part of this process, Transurban has provided written submissions and input, and continues to engage with the Federal Government as part of the overhaul.

–Innovative solutions–

Tunnel pacemaker trial to keep traffic moving

In Victoria we are working closely with the Department of Transport and industry groups to address the issue of vehicles slowing down as they move through the Burnley Tunnel, which can worsen congestion during peak periods.

Our traffic data revealed that most drivers enter the tunnel at the 80 kilometres per hour speed limit but don't realise their speeds drop as they travel up a slope towards the exit of the tunnel. This slow down can create a backlog of congestion during peak periods and lead to more incidents.

As a result, Transurban undertook a virtual reality trial with drivers to see if any changes to tunnel conditions could improve traffic flow through the tunnel and the broader road network to create quicker and safer trips for everyone.

Transurban used a real-life simulation of the current Burnley Tunnel conditions to undertake the trial, with drivers then also taking a virtual drive through a simulation featuring the potential changes.

During both trips, their speed, heart rate, eye movements and feedback were gathered.

In exploring the options that were trialled with drivers, we drew on best practice from around the world, including tunnels in Japan, where pacemaker lighting has helped improved traffic flow. The pacemaker lights serve as a visual cue to remind drivers to maintain a consistent speed. Other improvements being trialled include distance markers on the lanes so drivers know how far into the tunnel they are.

Both the Royal Automobile Club of Victoria and the Victorian Transport Association were also engaged to provide feedback on the trial.

The results of the trial and potential for this technology to be installed in the Burnley Tunnel will continue to be analysed and explored, and a driver awareness program will inform drivers about the existing tunnel conditions to help create smoother trips.

Future transport

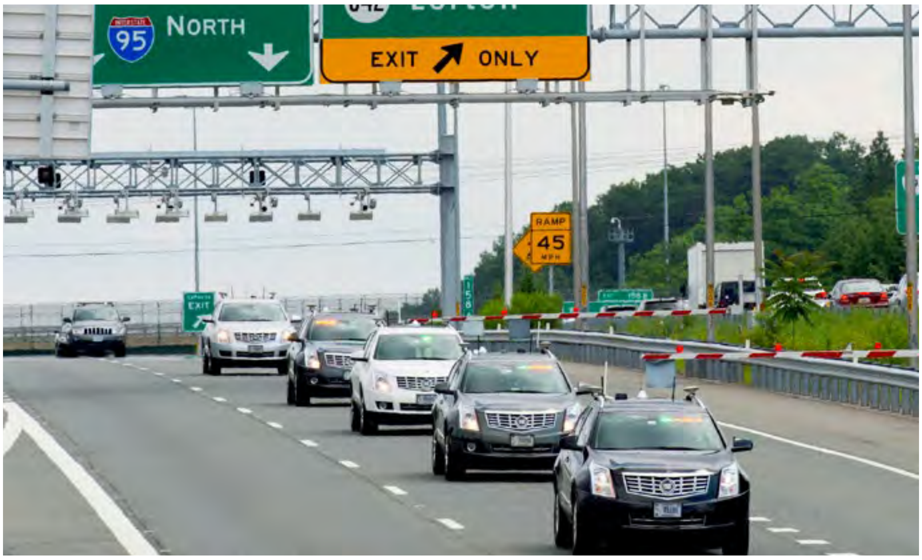
Declining fuel excise as a result of more efficient vehicles, along with the adoption of low and zero emission vehicles (ZEVs), means there will be less funding available to governments to invest in their transport networks.

Addressing this shortfall will be critical to the delivery of new infrastructure, maintenance of ageing infrastructure, and enabling promising future transport technologies such as Connected and Automated Vehicles (CAVs).

Introducing a road-user charge (RUC) to fill the gap in fuel excise, as well as streamlining, other fees such as licensing and registration is a reform Transurban has long advocated for, along with many other industry and government bodies such as the Productivity Commission, Infrastructure Australia and Infrastructure Partnerships Australia. We recognise this major and complex reform requires extensive stakeholder consultation and targeted pilots to ensure it is structured in a fair, transparent and user-friendly way.

After completing our RUC pilot in Melbourne in 2016, Transurban has been an active participant in other RUC scheme developments that help to investigate the application of technologies and their acceptance by users.

In June 2021, Transurban—in partnership with The Eastern Transportation Coalition (previously known as the I-95 Corridor Coalition)—commenced a pilot on the east coast of the USA.



The pilot will be the first to integrate dynamically tolled managed lanes by leveraging the advanced technology of the Virginia Express Lanes and Transurban's tolling systems. Drivers' cars will be equipped with GPS-enabled in-vehicle technology to evaluate the customer experience of user-pay systems, congestion and cordon pricing, and various fees and invoicing methods in conjunction with toll facilities.

The pilot is bringing a real-world experience to the public based on distance, area or time-of-day charging. It will also provide policymakers with insights into public understanding, experience and adoption.

In Australia, the Victorian Government has introduced distance-based charges for electric and plug-in hybrid vehicles, an important step in preparing Australia for its transition to ZEVs. Other state governments are exploring the concept.

Road-user charging may help provide governments with the funding needed to maintain and build roads.

At the same time, they will also need to be preparing for the uptake of CAVs. Over the past four years Transurban has also been running trials of CAVs on our roads to understand the role of infrastructure in supporting the developing vehicle and roadway technology. We continue to work with the United States Federal Highway Administration on trials.

In the USA we are also advancing a pilot on connected infrastructure to develop safety solutions for Automated Driving Systems in dynamic scenarios such as encountering road works or an incident on the road, which will eventually be trialled through on-road demonstrations. This trial is taking place with the Transurban consortium's funding being matched by the United States Department of Transportation and is being run in partnership with the Crash Avoidance Metrics Partners LLC, the Virginia Tech Transportation Institute and other representatives across industry and academia, as well as first responders such as police and fire and rescue services.

Road-user charging could help provide governments with the funding needed to maintain and build roads

Business partners and suppliers

Read how **Transurban's strategy** creates value for our business partners and suppliers (pages 14 and 15)

1,600+
direct suppliers

$2.4B+
annual managed spend

3.90
contractor RIFR[1]

With more than 1,600 direct suppliers and partners across a broad range of sectors we are in an ideal position to lead industry innovation and best practice in every aspect of our business.

From design, construction, operations, and maintenance, our diverse range of suppliers and partners spans multinational contractors to small local businesses and social enterprises.

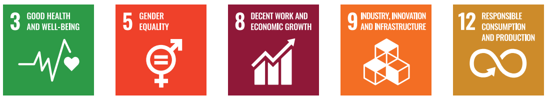
We continue to develop our Sustainable Procurement Program to better direct our spending in ways that support the social, economic and environmental wellbeing of our communities.

In FY21, we committed to achieving net zero GHG emissions in our supply chain and projects by 2050 (see page 35) so we are actively working with our suppliers on ways to reduce their environmental impact through initiatives such as using low-carbon materials and reducing energy.

We have also partnered with Support the Goals, an international body that rates and recognises businesses that support the United Nations Sustainable Development Goals (SDGs), to assess our suppliers' efforts in taking practical action in those areas. So far, around a quarter of our top global suppliers have taken some action or engaged with their supply chains on the SDGs. We will continue to expand our work in this area.

1 Below target of 4.2 for FY21

UN SDGs relevant to this section



–Case study–

COVID-19: Lessons learnt, action taken

We recognise that the ongoing global pandemic may also increase the risk of exploitation for those most vulnerable, by amplifying poverty and restricting access to employment, which are among the major drivers of modern slavery.

In response, we have been working closely with our suppliers to identify any potential supply chain risks. Our contract clauses and Supplier Sustainability Code of Practice include standards for suppliers to work collaboratively with us to increase the transparency and traceability of their extended supply chains to assess and mitigate adverse labour and human rights practices.

Recognising the financial impact to many small businesses, we instigated a temporary program to expedite payments and reduced our standard payment terms from 30 to 14 days. More than 500 suppliers were supported with faster payments during the year.

During government-mandated restrictions we were able to maintain work—and therefore employment—on all our construction sites by implementing a range of measures including daily health declarations, temperature checks, limited movements across worksites, staggered shifts and breaks, physical distancing, mandatory mask wearing and increased cleaning regimes.

Social procurement

Our Sustainable Procurement Program aims to direct our purchasing power to support small and under-represented businesses, such as those owned by or supporting women, people with disabilities, the long-term unemployed and social enterprises.

In Australia, we are a member of Social Traders, an organisation that connects businesses with certified social enterprises to generate jobs for disadvantaged Australians.

In partnership with Ability Works Australia, we won the 2020 Social Traders Social Procurement Partnership of the Year Award. Ability Works is a not-for-profit social enterprise providing employment opportunities to people with disabilities and those facing significant barriers to employment. This year we celebrated 10 years of our partnership. Ability Works provides us with mail house and e-Tag processing services. We have also partnered with engineering firm Aurecon, RMIT University and Apricot Consulting under a shared-value model to increase employment opportunities for people living with disability or disadvantage and to support our long-term social procurement ambitions.

In the USA, as part of our proposal to the develop Phase 1 of the Maryland Express Lanes Project, we and our partners, Macquarie Capital, included a comprehensive approach to local workforce development including: partnerships with small/women/veteran/minority-owned businesses; union and local contractor involvement; and engagement with community organisations and educational institutions.

We also have specific targets on our other projects in the Greater Washington Area relating to Disadvantaged Business Enterprises (DBE) and Small, Women-owned and Minority-owned (SWaM) businesses including committing to spend USD84 million on the Fredericksburg Extension Project and at least USD100 million on the 495 Extension Project.

In FY21, Transurban spent USD13.5 million on DBE and SWaM businesses across the 395 Express Lanes, the Fredericksburg Extension and operations and maintenance. To date the Fredericksburg Extension construction has contracted USD17.6 million in DBE and SWaM businesses.

In Australia, we also support Aboriginal and Torres Strait Islander peoples with commitments for employment, training and development as well as spending with accredited businesses.

To date, our West Gate Tunnel Project in Melbourne has spent more than $3.7 million[1] on social enterprises with more than 43 engaged to provide goods and services. A similar focus on engagement with Aboriginal and Torres Strait Islander businesses has seen more than $6.8 million invested to date. So far 28 businesses have provided services ranging from first aid training to supplying stationery.

In Sydney, our M8 and M4-M5 Link projects, which are a part of WestConnex, have spent more than $35 million with accredited Aboriginal and Torres Strait Islander businesses, including recruitment. The NorthConnex project spent $25.2 million with accredited indigenous businesses during construction, and will continue to support employment of Aboriginal and Torres Strait Islander peoples through procurement of incident response and maintenance services over the next five years.

More information about our commitments is available in our second Innovate Reconciliation Action Plan at transurban.com/rap

Addressing modern slavery risks

We continue to work with suppliers to identify and address any possible exposures to human rights risks and exploitation in our supply chains.

We submitted our first Modern Slavery Statement to the Australian Federal Government in December 2020, outlining how we work to identify, manage, and mitigate the specific risks of modern slavery in our operations and supply chains.

While we did not identify any instances of modern slavery in our operations or supply chains in FY20, we acknowledge that we must remain vigilant in monitoring these risks. In parallel, we are actively participating in numerous multi-stakeholder forums with suppliers as well as other industry leaders to share learnings and knowledge in this area. Additionally, our independent Whistleblower Hotline service is available for anyone wanting to raise issues including those related to modern slavery.

Our next Modern Slavery Statement will be submitted to government by December 2021.

Read our latest Modern Slavery Statement at transurban.com/modern-slavery-fy20

1 Social procurement information as reported by the West Gate Tunnel Project D&C subcontractor, CPB Contractors Pty Ltd and John Holland Pty Ltd

Environmental leadership

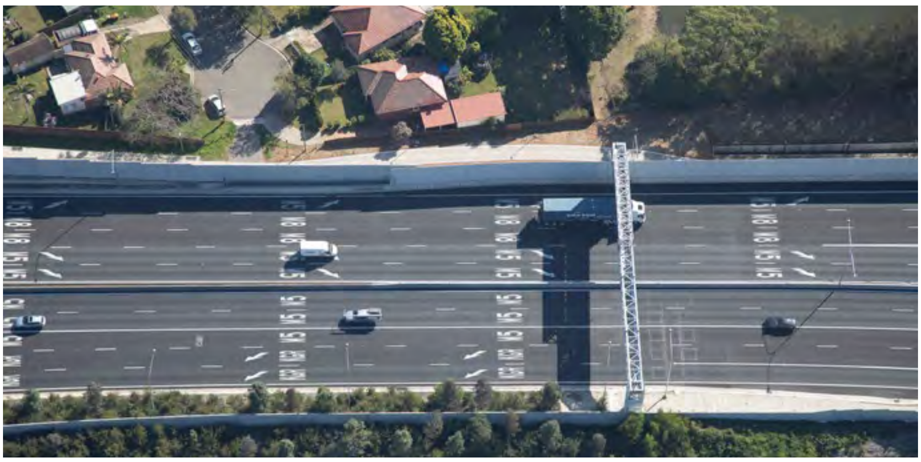
Our major infrastructure projects are the most resource intensive area of our business, which is why they also provide the greatest opportunity to reduce our environmental impacts. They are also a springboard for innovation where we, and our construction partners, can rethink the methods and materials used.

To reinforce our commitment to sustainability and ingenuity, we require all our major Australian projects to be designed to achieve a rating of 'Excellent' or above according to criteria set by the Infrastructure Sustainability Council of Australia (ISCA). Contractors are required to achieve that same rating for the project's construction.

To achieve the ratings, we set targets and monitor performance across project management, procurement, environmental impact, community wellbeing, stakeholder engagement, and innovation.

In FY21, our M8 tunnels were awarded the highest possible rating of 'Leading' (in the As Built phase), while our NorthConnex tunnels received an 'Excellent' rating (As Built). Our M4-M5 Link, Stage 3 of the WestConnex project, was rated 'Leading' for Design. In addition, we are currently working to achieve our first rating for an asset in operation—the M2 Motorway in Sydney.

In North America, the major project procurement process invites professional service firms and contractors to include principles of sustainable development in projects. From planning and preliminary engineering, design, construction and operation, all suppliers should contribute to mitigate risks and generate social and environmental benefits for the communities where we operate and globally. For example, for major projects, contractors are required to achieve an Envision rating from the Institute for Sustainable Infrastructure. To ensure that all new major projects contribute to our emission reduction targets, we are enhancing our project specifications to encourage the reduction of direct fuel consumption and increase use of renewable energy and low-carbon materials. We are working to achieve an Envision Silver rating for the design and construction of the Fredericksburg Extension project, and the 495 Extension Project has a requirement to achieve an Envision Silver rating. Our proposal for the Maryland Express Lanes Project aims to achieve an Envision Platinum rating, including significant above-regulation community and environmental programs and initiatives.



Committed to achieving IS ratings

ISCA manages and advocates the use of its Infrastructure Sustainability (IS) rating scheme to improve sustainability outcomes over the lifecycle of infrastructure assets. There are three rating levels—'Commended' (25–49 points), 'Excellent' (50–74 points) and 'Leading' (> 75 points).

Transurban has committed to achieving IS ratings for the Design and As Built (construction) phases of major projects in Australia.

Decarbonising construction

Rethinking the way we plan, design, construct and operate assets to reduce their whole-of-life impact is fundamental to achieving our Scope 3 GHG emission reduction targets for our supply chain and projects (see page 35).

That means continuing to work with our contractors and suppliers on low-carbon and circular-materials strategies to reduce direct fuel consumption and waste, and increase renewable energy, and resource recovery.

Changes to project specifications, materials and transport arrangements has already reduced GHG emissions by more than 644,000 tCO_2e on nine projects to date.

To support our Scope 3 targets, we are increasing our requirements for suppliers to use or provide low-carbon products and services. We have introduced new GHG reporting requirements for our major suppliers. Supplier engagement and progress towards GHG targets will be monitored through their participation in CDP's Supply Chain reporting, providing greater transparency and confidence in achieving our 2030 targets.

This new reporting requirement has been supported by direct engagement activities with our top 50 suppliers (by spend) representing 70% of emissions from purchased goods and services. We are encouraging our suppliers to consider committing to use renewable energy, setting their own science-based GHG emission reduction targets and/or committing to carbon neutrality by no later than 2050.

Emission-reduction initiatives

Construction materials such as concrete, steel and asphalt rely heavily on fossil fuels in their production and we are committed to supporting the decarbonisation of these products. For example, cement production accounts for about 8% of GHG emissions globally. To meet our emission reduction targets, we must work with our contractors, government and industry partners to move to less carbon-intensive methods of production. Pleasingly there has been strong support across industry to realise this shift.

On our M4-M5 Link project, our contractors have saved approximately 66,000 tonnes CO_2e, or just over 30% in GHG emissions, by replacing the carbon-intensive Portland cement with a lower-carbon concrete blend.

Similarly, the M8 tunnels, now in operation, achieved similar carbon-reduction savings. The project used around 1.4 million tonnes of concrete during construction and reduced GHG emissions by around 65,000 tonnes CO_2e by using lower-emission concrete blends. That equates to a GHG saving of around 25% compared to the business-as-usual base case.

We recognise that achieving a goal of net zero emissions in our supply chain by 2050 will require a collective and continued effort and to support this we have become a founding member of the Materials Embodied Carbon Leaders Alliance, a group of more than 60 organisations aiming to drive reductions in embodied carbon in the building and construction industry. The Alliance is developing a series of actions for industry including a best-practice framework.

Aside from our projects, we also consistently look for ways we can work with our operations and maintenance contractors to reduce the environmental impacts related to operating our roads.

For example, we are working with Ventia, one of the largest essential infrastructure service providers in Australia and New Zealand, on transitioning to fully electric truck mounted attenuators (TMAs). TMAs are used to protect work crews and the public during incident-response services on our roads.

Currently, the diesel-run TMAs are responsible for at least 30% of Scope 1 (fuel) emissions from Ventia's operations on our roads as they spend significant time idling when used for traffic management.

This initiative was championed by our joint Sustainability Governance Group with Ventia, which identifies initiatives to improve social and environmental practices.

We recognise that achieving a goal of net zero emissions in our supply chain by 2050 will require a collective and continued effort

–Innovative solutions–

Hearing from our infrastructure

Imagine if a bridge could let us know about its every movement, or a road could alert us to a weakness in the pavement so we could respond before a pothole or crack forms. Or a drain may be able to sense it is full of water and tell us it needs to be cleaned out.

These are some of the scenarios that we and our partners are investigating and trialling to better predict what maintenance may be needed on our assets.

Sensors installed on our Gateway Bridges in Brisbane are monitoring noise and vibration frequencies to provide critical data about the bridges' structural health.

The sensor technology, developed in partnership with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and its digital specialist data sciences arm, Data61, allows us to predict any maintenance works so we can keep our roads safe.

It can alert us to any changes in real time as well as giving us the ability to conduct detailed comparisons over time. We are trialling the technology to understand how it could be used more broadly.

In partnership with Monash University in Melbourne we also are trying to better understand the surface and subsurface of our roads.

Using ground-penetration radar, thermal and visual scans on the Logan Motorway in Brisbane, we can analyse the pavement's thickness, condition, life estimation and moisture levels. It also allows us to measure the length of any pavement cracks to identify sites needing repair.

In another project, we are working with Victoria University to investigate harmonic frequencies that could be used to monitor signs and lights for any damage.

Initiatives such as these help to improve the lifespan of infrastructure and reduce the need for unplanned repairs, minimising disruption to motorists.

Contractor safety

07
major projects progressed/ completed with construction contractors

15.9M
contractor hours worked on projects and operations

~5,500
subcontractors completed online HSE inductions

With millions of construction hours worked on our major projects annually it is vital that we work closely with our supply chain partners to identify any potential health, safety and environment (HSE) risks and hazards and determine mitigation measures.

To this end, in FY21 we developed and implemented an enhanced Contract Management Framework and delivered training on its adoption.

We integrate our HSE analytics with our risk reporting to understand the hazards faced and the causes of incidents and near misses. This underpins our engagement with our partners and contractors to enhance HSE performance. We undertake regular joint HSE walks and site visits with our partners and contractors to understand and discuss the key risks faced and the associated control assurance activities.

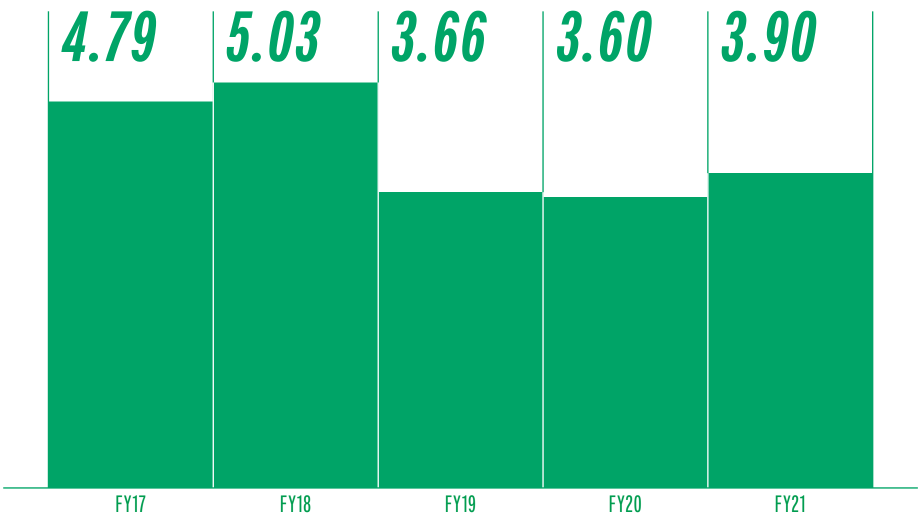
We also have well-established processes to respond to outcomes of incident investigations and communicate lessons learnt across our regions.

In FY21 we recorded a contractor recordable injury frequency rate (RIFR) of 3.90 per million work hours (Figure 14). While slightly ahead of the FY20 RIFR, this result was under our target of 4.20 and included a contractor injury free month achieved across all operations and projects in June 2021. Recordable injuries include lost-time injuries, where a person loses one or more full shifts from work and medical treatment injuries where medical treatment (other than first aid) is required.

In the USA, we worked with our contractor on the Fredericksburg Extension project, on a campaign specifically focused on driver awareness around work zones. Many drivers are returning to the roads since the start of the pandemic and the campaign was a reminder about driver awareness, road rules and fineable offences.

Read more about our safety approach with our customers (pp 29) and our people (pp 43)

Figure 14: Contractor RIFR



Investors

Read how **Transurban's strategy** creates value for our investors (pages 14 and 15)

$3.7B gain realised from sale of 50% of Transurban Chesapeake

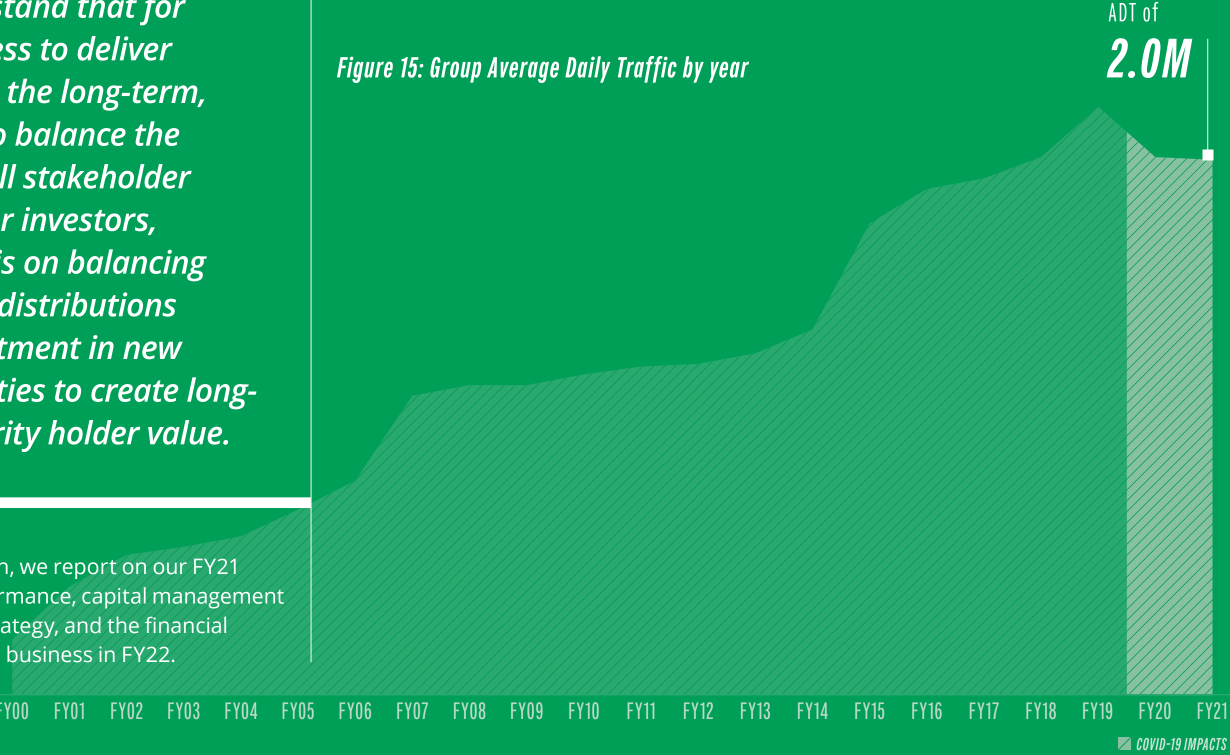
$1.0B distributions to security holders

$10.2B gross debt raised in FY21

We understand that for our business to deliver value over the long-term, we need to balance the needs of all stakeholder groups. For investors, our focus is on balancing growth in distributions with investment in new opportunities to create long-term security holder value.

In this section, we report on our FY21 financial performance, capital management activity and strategy, and the financial outlook for the business in FY22.

Figure 15: Group Average Daily Traffic by year



UN SDGs relevant to this section

–Case study–

COVID-19: Lessons learnt, action taken

COVID-19 disrupted the traditional avenues for investor engagement, at the same time as increasing the transparency required to keep the market informed throughout a period of uncertainty.

We increased disclosure for investors by providing additional trading updates with more granularity on traffic and debt compared to our usual reporting cycle, as well as several bespoke reports into long-term mobility impacts (see *Urban Mobility Trends for COVID-19*, page 19). These disclosures gave the market insight into the fast-moving impacts of COVID-19 on our business, while outlining the steps taken to proactively strengthen the balance sheet and meet stakeholder expectations in response to the uncertainty.

COVID-19 also brought challenges for our investors to engage with the business through traditionally in-person events, such as the AGM and Investor Day. However the conversion to virtual events allowed us to reach a wider spectrum of investors for the AGM, and provide content in new formats for our Investor Day.

These formats included a live studio webcast and a dedicated Investor Day microsite showcasing our latest ESG priorities and business updates from each of our Executive Committee. To date, there have been more than 5,500 visits to the site. We expect technology to remain a key feature of future investor engagement.

Throughout COVID-19, the topics at the forefront of investor engagement shifted markedly towards ESG issues, with particular attention on social issues that covered the treatment of customers in hardship and employee wellbeing. The focus on ESG initiatives is accelerating, driven in part by COVID-19, and we are constantly looking to position Transurban as a leader on ESG through integrating ESG considerations across our business and improving disclosure.

Watch our Investor Day at transurban.com/id21-webcast

How we measure performance

Free Cash Flow

Free Cash is the primary measure used to assess the cash performance of the Group and generally represents the cash available for distribution to security holders. Free Cash is calculated in note B10 of the Group Financial Statements.

Proportional EBITDA

Management consider proportional EBITDA to be the best measure of underlying business performance. Proportional EBITDA is the aggregation of the results from each asset multiplied by Transurban's percentage ownership as well as the contribution from central Group functions. Proportional EBITDA reflects the contribution from individual assets to the Group's operating performance and focuses on elements of the result that management can influence to drive improvements in earnings.

Note B4 to the Group Financial Statements presents further detail on the proportional results for the Group, including reconciliations to the statutory result.

COVID-19 impacts on traffic during FY21

Group traffic volumes recovered quarter-on-quarter throughout FY21, with diversity across markets supporting overall performance. Sydney and Brisbane traffic reached pre-COVID-19 levels by the second half of the financial year, while Melbourne and North America were more heavily affected given the impacts of COVID-19 were more severe in those markets.

While passenger traffic was sensitive to COVID-19 disruptions, commercial traffic remained relatively resilient given government stimulus supported construction activity, in addition to e-commerce demand. Traffic corridors sensitive to airport related travel will remain impacted so long as subdued international travel and domestic border closures persist.

In early FY22 Sydney, Melbourne and Brisbane have all experienced government mandated restrictions impacting traffic. Traffic in each of Transurban's markets will remain sensitive to future government responses to COVID-19 (see Outlook section on page 65 for more detail).

Sale of Transurban Chesapeake

In December 2020 Transurban reached agreement to sell a 50% interest in its Transurban Chesapeake assets to AustralianSuper, CPP Investments and UniSuper, with the transaction achieving financial close on 31 March 2021.

Transurban Chesapeake comprises Transurban's Greater Washington Area operational assets which include the 495 Express Lanes, 95 Express Lanes and 395 Express Lanes, as well as three projects in delivery and development (the Fredericksburg Extension, 495 Express Lanes Northern Extension and the Capital Beltway Accord).

Gross sale proceeds of $2.7 billion reflect the long-term value of the assets, realising significant value for security holders. As a result of the sale, Transurban has recognised a $3.7 billion gain on divestment and from 31 March 2021 the retained 50% equity interest in Transurban Chesapeake is equity accounted.

The transaction strengthens the Transurban balance sheet for future growth opportunities and introduces strategically aligned investment partners with extensive infrastructure management experience.

Delivering for investors

Despite the impacts to traffic, Transurban has continued to pay a distribution through the COVID-19 pandemic, distributing $999 million to security holders during FY21.

In parallel, we progressed our pipeline of projects in development across Australia and North America, and invested in strategic growth opportunities with the potential to further grow the pipeline.

Transurban acted early in the COVID-19 pandemic to secure sufficient liquidity to meet its capital requirements and debt refinancing obligations, and through FY21 has continued to robustly manage its balance sheet (see page 64).

FY21 financial performance highlights

Key metrics

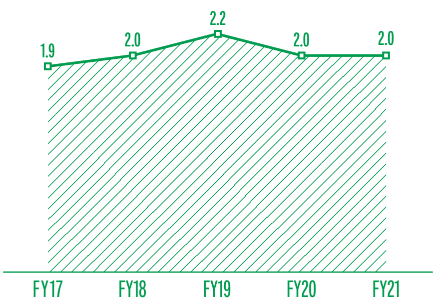
The below table is a summary of key financial measures which management considers the best representation of underlying business performance.

Financial metrics		FY21	FY21 vs. FY20
Proportional toll revenue	$ millions	2,486	(0.3%)
Proportional EBITDA (excl. significant items)	$ millions	1,836	(2.8%)
Statutory revenue[1]	$ millions	2,886	(9.0%)
Statutory NPAT[1]	$ millions	3,272	N/A
Statutory cash flows from operating activities[1]	$ millions	893	(21.0%)
Free Cash (incl. Capital Releases)	$ millions	1,278	(13.4%)
Gross distributions	$ millions	999	(22.2%)
Distributions per security	cps	36.5	(22.3%)
		FY21	**FY20**
Capital Releases	$ millions	278	320
Proportional drawn debt	$ millions	20,763	22,118
Proportional development capex	$ millions	1,157	1,795

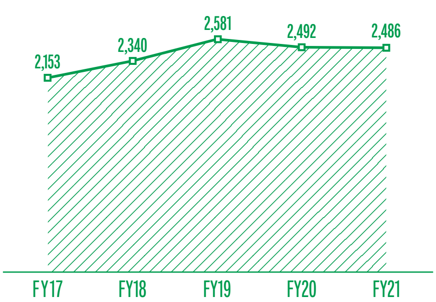
Ratios and rates		
Proportional Group EBITDA margin	%	70.3
Corporate debt rating (S&P/Moody's/Fitch)	rating	BBB+/Baa1/A-
Distribution free cash flow coverage	%	128
Corporate SICR	x	2.8
Gearing	%	34.3
Weighted average cost of debt		
AUD debt	%	4.1
USD debt	%	4.5
CAD debt	%	5.0

1 *Statutory results above have been reclassified to present Transurban Chesapeake as discontinued operations in the current and prior comparative period. Refer to note B24 Business combinations and changes in ownership interests within the financial statements for further information*

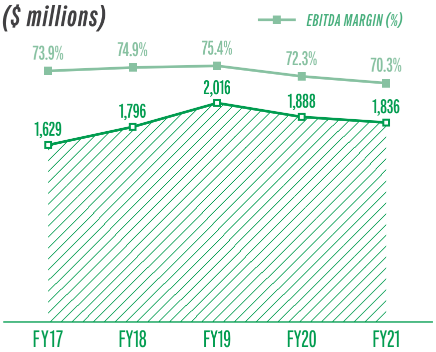
Average Daily Traffic (millions)



Proportional Toll Revenue ($ millions)

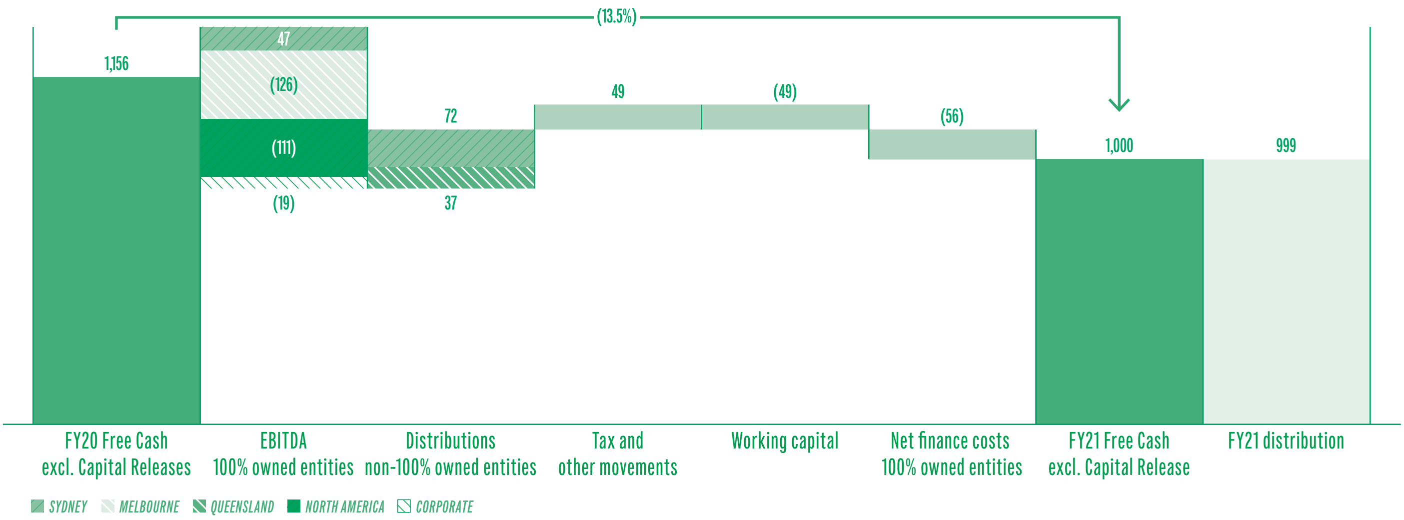


Proportional EBITDA (excl. Significant Items) ($ millions)



Operating performance

Free cash flow reconciliation



Key drivers

EBITDA from 100% owned assets

Decrease in EBITDA from 100%-owned assets owing to the impact to revenue from reduced traffic as a result of COVID-19, combined with an incremental rise in the cost base.

Revenue

Negative revenue growth during the period was driven by the decrease in traffic in Melbourne and North America, partially offset by the recovery across Sydney including the network benefits generated by the opening of NorthConnex in October 2020. Revenue impacts were mitigated to some extent by toll price escalation across Transurban's Australian markets and on the A25 in Montreal. Transurban's Express Lanes assets in Virginia are dynamically priced and were significantly impacted by COVID-19 given the lack of congestion on adjacent general-purpose lanes, although pricing improved throughout FY21.

Costs

Overall growth in costs was driven by higher spend on strategic growth projects related to the opportunity pipeline. This included the pre-contractual close costs related to the sale of Transurban Chesapeake and the proposal for selection as the developer of Phase 1 of the Maryland Express Lanes Project as well as other opportunities (primarily located in North America and Sydney).

Distributions from non-100% owned assets

Some distributions were deferred from FY20 and paid in FY21, driving an increase in distributions from non-100% owned assets. In addition, an initial distribution was made from NorthConnex. Where non-100% owned assets paid distributions in line with their available cash, this was reduced as a result of negative impacts to traffic volumes due to COVID-19, partially mitigated by toll price escalation.

Tax and other movements

A $49 million decrease in tax reflects the M5 West tax paid prior to this asset joining the Transurban Holdings Limited tax group.

Net finance costs from 100% owned assets

Net Finance Costs increased by $56 million compared to FY20, primarily driven by an increase in corporate interest payments partially offset by a decrease in interest payments for the Greater Washington Area given TIFIA interest is currently being capitalised as well as the impact of the Transurban Chesapeake divestment. The Group's weighted average cost of AUD decreased in FY21 to 4.1%.

Working Capital

The unfavourable movement in working capital compared to FY20 reflects an increase in accounts receivable in line with increasing traffic volumes through the period.

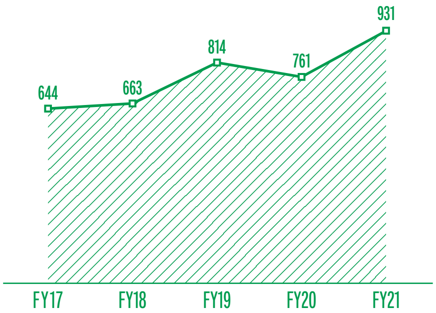
Capital Releases

Capital Releases were $278 million in FY21, delivered by Sydney Transport Partners in relation to WestConnex and retained by Transurban for general corporate purposes. Capital Releases were $42 million lower as compared to FY20.

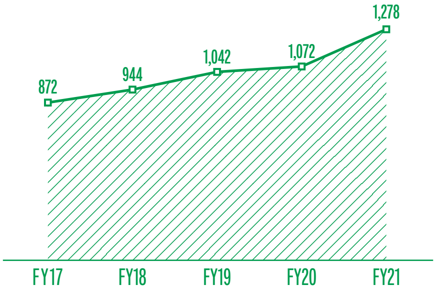
Market performance

Sydney

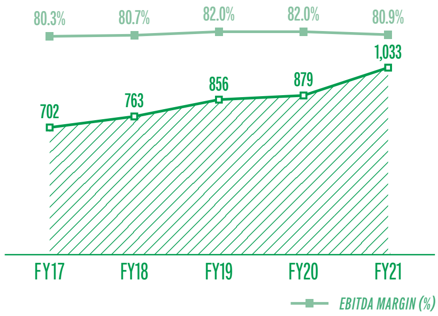
Average Daily Traffic (millions)



Proportional Toll Revenue ($ millions)



Proportional EBITDA ($ millions)



FY21 performance[1]

- 22.3% increase in average daily traffic driven by contribution from new assets (the M8/M5 East and NorthConnex)
- Toll revenue growth of 19.2% driven by new assets opened in FY21 as well as the additional ownership interest in the M5 West
- EBITDA margin decreased to 80.9% (from 82.0% in FY20), reflecting the ramp-up of M8/M5 East and NorthConnex as well as liquidated damages received in FY20 (for the delayed opening of the M8).

Portfolio summary

Hills M2

M5 West

Lane Cove Tunnel

Cross City Tunnel

Eastern Distributor

Westlink M7

New M4

M8
(opened July 2020)

M5 East
(tolling commenced July 2020)

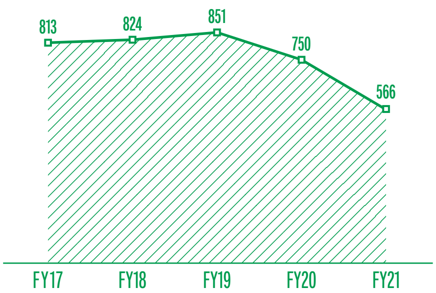
NorthConnex
(opened October 2020)

M4-M5 Link
(under construction)

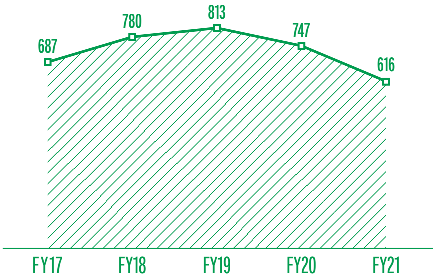
Rozelle Interchange
(under construction)

Melbourne

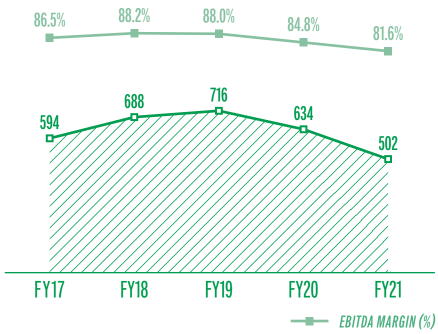
Average Daily Traffic (millions)



Proportional Toll Revenue ($ millions)



Proportional EBITDA ($ millions)



FY21 performance[1]

- 24.5% decrease in average daily traffic driven by continuing impacts of COVID-19 restrictions, including subdued airport related traffic
- Toll revenue decreased by 17.6%
- COVID-19 restrictions in Victoria during the period were more frequent and prolonged relative to Sydney and Brisbane, causing a more significant impact to revenue relative to other Australian markets
- EBITDA margin decreased to 81.6% (from 84.8% in FY20), reflecting the impacts of restrictions in movement mandated by the Victorian Government in response to COVID-19.

Portfolio summary

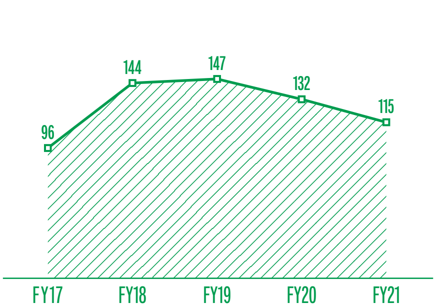
CityLink

West Gate Tunnel
(under construction)

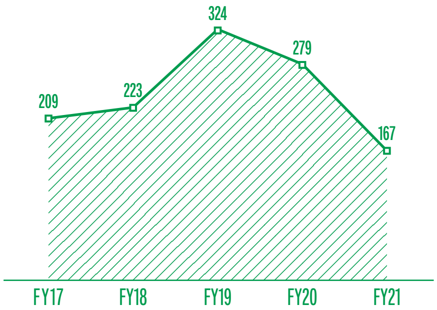
1 *All figures are proportional*

North America

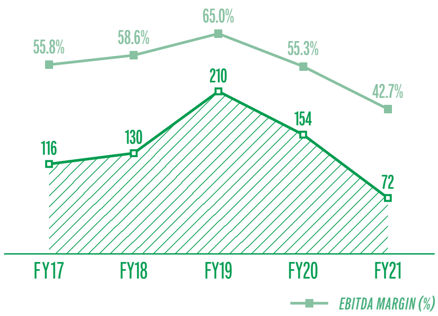
Average Daily Traffic (millions)



Proportional Toll Revenue ($ millions)



Proportional EBITDA ($ millions)



FY21 performance[1]

- 13.3% decrease in average daily traffic driven by ongoing COVID-19 impacts
- Toll revenue decreased by 39.9%, with Express Lanes experiencing lower pricing during the COVID-19 pandemic due to the dynamic, congestion-based tolling mechanism. In addition, revenue decreased as a result of the divestment of 50% of Transurban Chesapeake assets in March 2021
- Toll revenue decreased by 28.2% on a like for like basis, excluding the annualised contribution from the 395 Express Lanes (which opened in FY20) and the divestment of 50% of the Transurban Chesapeake assets
- EBITDA margin decreased to 42.7% (from 55.3% in FY20), impacted by restrictions in movement related to COVID-19 and the opening of the 395 Express Lanes (including the Transit Investment Payment).

Portfolio summary

95 Express Lanes (GWA)

395 Express Lanes (GWA)

495 Express Lanes (GWA)

A25 (Montreal)

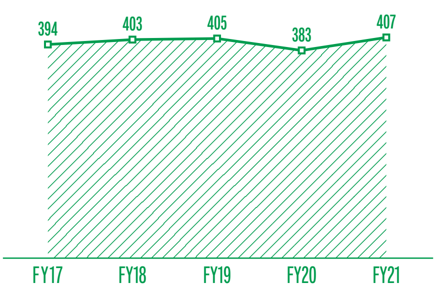
Fredericksburg Extension (GWA, under construction)

495 Northern Extension (GWA, in development)

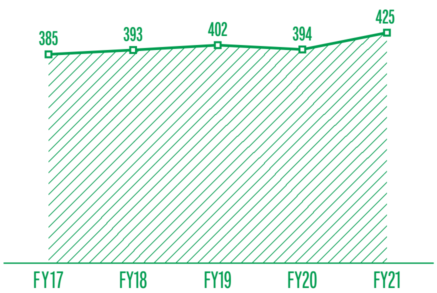
Capital Beltway Accord (GWA, progressing with government)

Brisbane

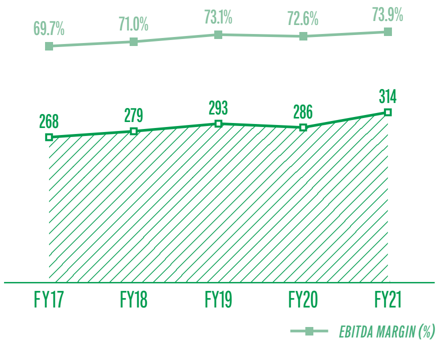
Average Daily Traffic (millions)



Proportional Toll Revenue ($ millions)



Proportional EBITDA ($ millions)



FY21 performance[1]

- 6.2% increase in average daily traffic, which benefitted from limited COVID-19 impacts relative to some other Australian markets
- Toll revenue increased by 7.7%
- EBITDA margin rose to 73.9% (from 72.6% in FY20), reflecting a full year of benefits following completion of the Logan Enhancement Project in 1H20.

Portfolio summary

Gateway Motorway

Logan Motorway

AirportlinkM7

Clem7

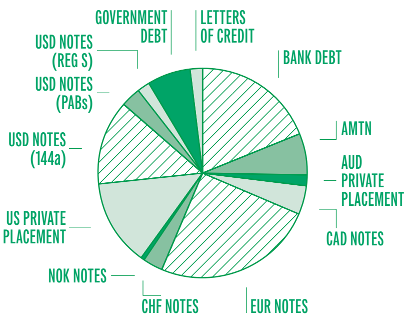
Legacy Way

Go Between Bridge

1 *All figures are proportional*

Capital management

Figure 16: Group proportional debt diversity[1]



1 *Proportional drawn debt inclusive of issued letters of credit. CAD, CHF, EUR, NOK and USD debt converted at the hedged rate where cross currency swaps are in place. USD debt is converted at the spot exchange rate (0.7522 at 30 June 2021) where no cross currency swaps are in place. CAD debt is converted at the spot exchange rate (0.9317 at 30 June 2021) where no cross currency swaps are in place*

2 *The full value of debt facilities is shown. Debt is shown in the financial year in which is matures*

3 *Debt values are shown in AUD as at 30 June 2021. CAD, EUR, NOK and USD debt converted at the hedged rate where cross currency swaps are in place. USD debt is converted at the spot exchange rate (0.7522 at 30 June 2021) where no cross currency swaps are in place. CAD debt is converted at the spot exchange rate (0.9317 at 30 June 2021) where no cross-currency swaps are in place*

4 *Calculated using proportional drawn debt exclusive of issued letters of credit*

5 *Calculated using proportional debt to enterprise value, exclusive of issued letters of credit. Security price was $14.13 at 30 June 2020 and $14.23 at 30 June 2021 with 2,735 million securities on issue at 30 June 2020 and 2,738 million securities on issue at 30 June 2021*

6 *Based on S&P methodology. FFO/Debt increased from 5.7% to 6.0% based on the Moody's methodology*

Transurban's approach to capital management supports the Group's investment proposition: to balance growth in distributions and investment in new opportunities to increase long-term value.

Our focus on building and maintaining a strong and flexible balance sheet underpins a sustainable, long-term business.

This is enabled by the underlying strength of the Group's operating cashflows which support security holder distributions and allow efficient funding of opportunities through a combination of debt and equity funding.

Debt overview

In FY21, Transurban raised $10.2 billion of debt across bank and debt capital markets to support funding initiatives and the delivery of projects across the business. In doing so, the Group's weighted average cost of AUD debt decreased to 4.1%, with an average tenor of 7.7 years[4].

The sale of 50% of Transurban Chesapeake resulted in the deconsolidation of its debt from the Group's balance sheet, with a resultant improvement in credit metrics. At 30 June 2021 the gearing level declined from 35.8% at 30 June 2020 to 34.3%[5] and FFO/Debt increased from 7.0% at 30 June 2020 to 8.9%[6].

Prudent management of the debt book remains core to the funding strategy, with a focus on growing the diversity of funding sources while reducing funding and liquidity risk.

Funding growth

Transurban is well capitalised to fund the near-term pipeline of growth projects with the gross sale proceeds from the Transurban Chesapeake transaction ($2.7 billion) and potential Capital Releases of more than $2 billion over the period FY21–25 (including $278 million received in June 2021 relating to WestConnex).

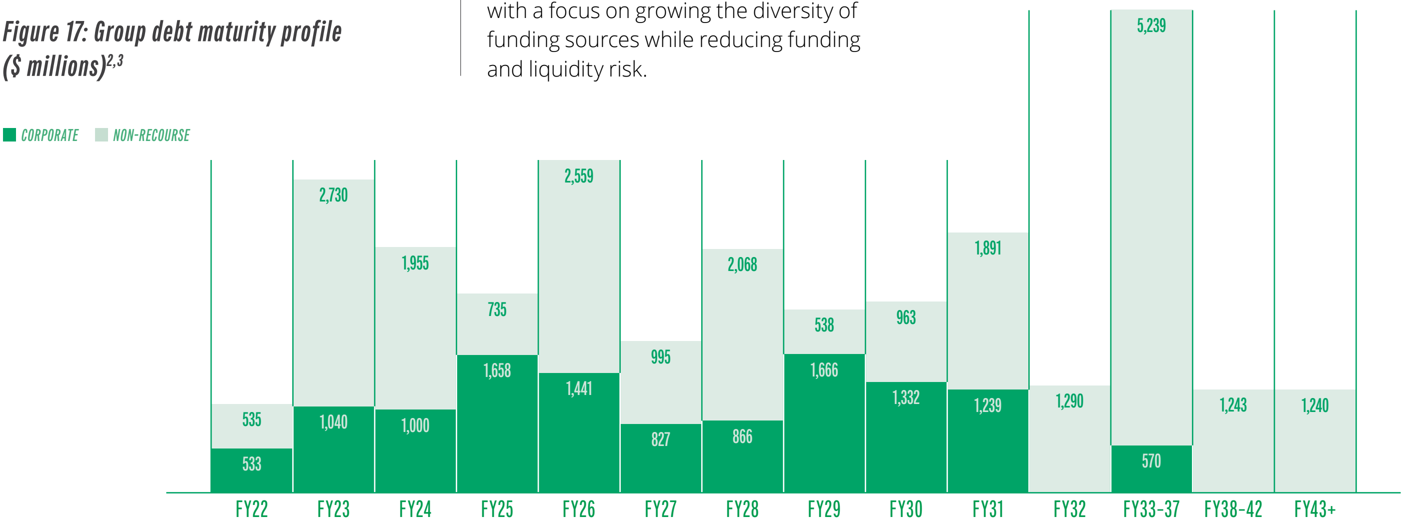
Transurban is proactive in maintaining a balance sheet to ensure sufficient capacity to cover near-term liquidity requirements, as well as providing optionality for investment.

Distribution

A distribution totalling 21.5 cents per stapled security will be paid for the six months ended 30 June 2021, taking the FY21 distribution to 36.5 cents per stapled security.

The Transurban Board expects the FY22 distribution will be line with Free Cash, excluding Capital Releases.

Figure 17: Group debt maturity profile ($ millions)[2,3]



Outlook

Market diversification across the Group is expected to continue to support overall performance in FY22, however traffic in each of Transurban's markets will remain sensitive to future government responses to COVID-19.

This dynamic has been demonstrated in early FY22, with Sydney, Melbourne and Brisbane experiencing government mandated restrictions impacting traffic negatively. North American traffic continues to benefit from the vaccine roll-out. Experience has shown that traffic rebounds quickly when restrictions are lifted however the rate of recovery depends on the length and nature of ongoing restrictions.

Future anticipated growth will be underpinned by the essential nature of Transurban road networks and the diverse reasons that customers continue to use toll roads, together with continued ramp-up of traffic on new assets brought online in FY21.

Transurban continues to monitor and analyse changing mobility trends—working from home, acceleration of online shopping and the preference for private-vehicle travel over public transport—including those accelerated as a result of COVID-19. Emerging indicators in the Australian markets suggest that these mobility impacts may be largely offsetting and will not fundamentally alter long-term traffic growth. Longer-term, we consider that the future state of mobility presents opportunities for the business to lead and partner in mobility evolution, as well as to support government policy.

Transurban's capital and operational positions are robust and the company is well positioned to participate in the infrastructure opportunities emerging as governments enact stimulus packages in our markets. There will be a need for private-sector investment given record government debt levels, with governments increasingly favouring a development approach.

The significant pipeline of opportunities in Transurban's core markets coupled with our long-term investment horizon will enable the company to continue to take a disciplined approach in growing the portfolio. In parallel, we will continue to work with our construction partners and other stakeholders to advance seven major projects across Australia and North America (refer to Figure 18), and to investigate new opportunities including the sale of the remaining stake in WestConnex.

> *Future anticipated growth will be underpinned by the essential nature of Transurban road networks and the diverse reasons that customers continue to use toll roads*

Read our industry research reports at **transurban.com/mobilitytrends**

Figure 18: Project portfolio

Governance and risk

Governance

Transurban is committed to good governance, transparency and accountability. The Board[1] believes this is essential for the long-term performance and sustainability of our business, and to protect and enhance the interests of security holders and other stakeholders.

Introduction

Transurban's governance framework plays a critical role in helping the business deliver on its strategy.

It provides the structure through which business objectives are set, performance is monitored, and risks are managed. It includes a framework for decision making across the business and provides guidance on the standards of behaviour expected of Transurban's people.

Transurban's governance framework, including our statement of compliance with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations, is detailed in our 2021 Corporate Governance Statement, which is available on our website together with key governance documents, including charters and policies.

Read more at transurban.com/corporate-governance

Role of the Board

The Board is accountable to security holders for the performance of Transurban. The Board's primary roles are to demonstrate leadership and provide overall strategic guidance for Transurban and effective oversight of management in implementing Transurban's strategic objectives and instilling its values. To assist it in discharging these responsibilities, the Board has established Committees to give detailed consideration to key issues.

The Board has also delegated responsibility for the day-to-day management of Transurban to the Chief Executive Officer (CEO), and through the CEO to other Senior Executives. The CEO is accountable to the Board for the exercise of this delegation with the support of Senior Executives.

The Board regularly reviews the charters and policies that underpin Transurban's corporate governance practices to ensure they remain appropriate, reflect high standards of governance and meet regulatory requirements.

Board structure and composition

The Board is structured to ensure that it is comprised of individuals with appropriate skills, knowledge, experience and diversity to develop and support Transurban's strategy and enable it to discharge its responsibilities and add value.

As part of the Board's succession planning, the Board utilises a skills matrix to assist in assessing the range of skills, knowledge, experience and diversity on the Board, and to identify particular competencies and perspectives that will enhance the Board's effectiveness and add value.

During the year, the Board appointed Timothy Reed and Robert Whitfield as Non-executive Directors on 1 November 2020, and Christine O'Reilly retired as a Non-executive Director on 8 October 2020.

On 1 June 2021, Transurban announced further changes to the composition of the Board including the appointment of Patricia Cross and Craig Drummond as Non-executive Directors effective 1 July 2021, the retirement of two long-standing Directors, Neil Chatfield and Samantha Mostyn, effective from the end of the 2021 Annual General Meetings (AGM), and the appointment of a new Non-executive Director, Ms Marina Go, effective 1 December 2021.

During the year the Board reviewed the interests, positions and relationships of the Non-executive Directors and considers each of them to be independent.

Performance of the Board, Committees and individual Directors

The Board undertakes an annual assessment of its performance, including its performance against the requirements of the Board Charter, the performance of individual Committees and the performance of individual Directors.

During the reporting period and through to the date of this report, the Board undertook an externally facilitated Board performance and effectiveness review, which included each Director and certain Senior Executives providing feedback to the appointed external consultant who then presented the outcome of the review as a report to the Board, for Board discussion and agreement on relevant actions. Further, one-on-one meetings were held between the Chair and each Director to obtain and provide additional feedback.

1 *The Boards of Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management Limited as responsible entity for Transurban Holding Trust (together, Transurban) have common directors and meet concurrently, and are collectively referred to as the Board*

Transurban Board FY21 areas of focus

During the year, the Board has provided strategic guidance and effective oversight of management in its implementation of Transurban's strategy—to provide sustainable transport solutions that offer choice, reliability, safety, transparency and value.

Key strategic, governance and oversight activities for the year included:

Health and safety

Ongoing commitment to and oversight of Transurban's workplace health, safety and wellbeing strategy. This has included oversight of the implementation of enhanced HSE analytics to identify incident and near miss insights to improve our internal and contractor HSE performance and wellbeing.

Customer and community

Oversight of customer initiatives and expanded hardship programs including through the strengthening of the Linkt Assist (Australia) and First Time Forgiveness (North America) programs, providing ongoing financial support for customers and other members of the community, and the establishment of a new service Linkt Assist 360 which provides holistic support for the most vulnerable customers who need additional support beyond assistance with tolling debt.

People and culture

Supporting the Transurban leadership team to ensure the wellbeing of our people during ongoing COVID-19 impacts; oversight and strengthening of diversity and inclusion workplace initiatives including response to the Australian Human Rights Commission Respect@Work: Sexual Harassment National Inquiry Report (2020); and monitoring and supporting a reshaped Transurban leadership team to deliver on Transurban's strategy.

Sustainability

Approved a commitment to net zero greenhouse gas emissions by 2050; conducted a review of investor perspectives on climate change management and approved the FY21 Climate Change Disclosure in the Sustainability Supplement, inaugural Modern Slavery Statement, Sustainability Policy and Human Rights Policy.

Oversight of COVID-19 impacts

Ongoing oversight and exercise of its stewardship responsibilities in relation to Transurban's response to COVID-19 impacts including: health and safety; customers; employee wellbeing; operations; projects; assets; finance; treasury; capital and liquidity matters and risk management.

Asset management and performance

Ongoing oversight of Transurban's delivery of committed projects including the opening/commencement of tolling on the M8, NorthConnex and M5 East; ongoing major project delivery pipeline including: the WestConnex M4-M5 Link; Fredericksburg Extension; 495 Express Lanes Northern Extension; Phase 1 of the Maryland Express Lanes Project; Capital Beltway Accord Project; and the legal and commercial avenues to progress the West Gate Tunnel Project.

Assessing emerging opportunities

Continuing to assess emerging opportunities in the regions in which Transurban operates including: participation in the sale process for the NSW Government's 49% minority interest in WestConnex; opportunities in North America including the Maryland Express Lanes project with Transurban being selected as preferred developer of Phase 1; asset enhancement opportunities across Sydney, Brisbane and Greater Washington Area assets; and assessment and approval of sale of a 50% interest in Transurban Chesapeake assets to three strategically aligned partners.

Capital management

Oversight and approval of the raising of over $10 billion in debt facilities (bank debt and capital market issuances), comprising of refinancing activity across the Transurban Group and the funding of a $1.1 billion capital release for WestConnex. Providing oversight of the sale of a 50% interest in Transurban Chesapeake, resulting in a deconsolidation of debt on the balance sheet and the receipt of USD2.1 billion of gross sale proceeds.

Strategy and risk

Together with management, setting the strategic direction of the business including: approving the annual financial budget and monitoring corporate performance; engaging in scheduled Board strategy sessions; ongoing integration of risk management with our HSE and business resilience activities; ongoing review of the Risk Appetite Statement (including financial and non-financial risk); and ongoing review of the Enterprise Risk Management Framework to further enhance the assessment and management of material business risks.

Board succession planning

Board succession planning, culminating in the appointment of four new independent Non-executive Directors (two appointed 1 November 2020 and two appointed 1 July 2021) with a further independent Non-executive Director to be appointed on 1 December 2021 following the retirement of two long-standing Directors at the conclusion of the 2021 AGM.

The Board possesses the skills, experience and diversity that it considers appropriate having regard to Transurban's strategic objectives and core capabilities (see below). In this regard, the Board collectively has the following key skills and experience:

Collective skills and experience of the Board

Industry specific knowledge and expertise	Specific experience, knowledge and expertise gained across the broader infrastructure and transport industries, including global experience
Financing/capital management	Experience in complex financing and/or capital management including economic drivers and global business perspectives
Project development, project management and delivery	Experience in all aspects of major infrastructure projects, including project engineering
Government and stakeholder relations, public policy and community engagement	Experience in government and regulatory policy matters (including public policy discourse), multiple stakeholder relations and community engagement
Technology	An understanding of, or experience in, organisations of a significant size having a major technology focus, including new technologies and digital disruption, digital customer management, and cyber security
Customer experience	Knowledge of, or experience in, organisations and operations managing large retail customer bases
General corporate, executive and director experience	Strategic and commercial acumen, health, safety and environment, sustainability, financial acumen, leadership, governance and compliance, risk management and people, culture and remuneration

Transurban's strategic pillars

Delivery and operations

Delivering our projects and operating our roads as safely and efficiently as possible is our core focus and fundamental to our value proposition over the long term

Optimal networks

To keep traffic flowing safely and efficiently, we develop operational, policy, project and technology solutions that get more out of roads and the broader network

Stakeholder engagement

Developing close relationships with our stakeholders allows us to identify and invest in projects and programs that matter

Disciplined investment

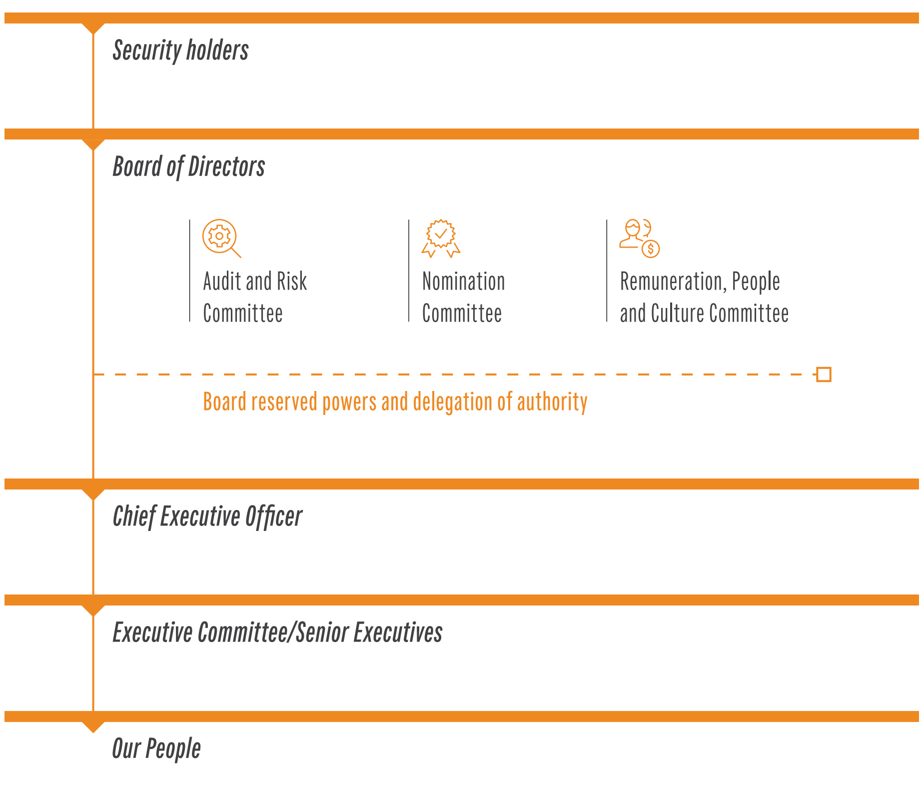
Thinking holistically about the operation of the broader transport network, we invest in projects that are necessary for the growth and prosperity of communities

The Board meets as often as necessary to discharge its responsibilities. This requires Board members to attend at least eight scheduled meetings each year, the AGM, Committee meetings and unscheduled meetings as required.

Board meetings are typically held in each of our regions over the course of the year. In addition to these meetings, Directors also attend regional activities, including briefings, asset or project site visits and presentations, and opportunities for employee and stakeholder engagement. The Board also meets with Transurban's Executive Committee for biannual strategy sessions.

Directors are also invited to participate in asset or project tours outside of the scheduled Board program. These tours are an important element of the Board's induction and ongoing educational activities and enable Directors to obtain the required deep understanding of the activities and operations within each region. Due to ongoing COVID-19 related government restrictions imposed across the regions during the year, certain regional meetings and activities were paused, including a visit to North America and Queensland. During the year, the Board held meetings in Melbourne and Sydney.

Figure 19: Governance Framework



Board Committees

The Board has established three standing Committees, each operating under a separate Charter which sets out their responsibilities.

Board of Directors

Audit and Risk Committee

Responsibilities:

To assist the Board in fulfilling its corporate governance and oversight responsibilities relating to the integrity of Transurban's financial reporting, the effectiveness of Transurban's systems of financial risk management and internal controls; internal and external audit functions, Transurban's risk profile and risk policy and the effectiveness of Transurban's risk management framework and supporting risk management systems and culture.

Areas of focus during FY21 included:

- Review and approval of significant accounting and financial reporting disclosures including in relation to: the status of major projects including West Gate Tunnel project; the financial close on the sale of a 50% interest in Transurban Chesapeake assets; and the ongoing impact of government mandated restrictions relating to COVID-19 on accounting, audit and risk-related matters.
- Oversight of the assurance and disclosure processes for the Transurban Corporate Report incorporating the financial statements and remuneration report; and disclosures relating to the recommendations of the Taskforce on Climate-related Financial Disclosures.
- Oversight of risk management activities including: annual review of the Risk Appetite Statement and Risk Management Policy and Enterprise Risk Management Framework; implementation of key risk control assurance activities and initiatives across the business; continued development of risk management performance analytics and integration of HSE risk reporting in our active risk management system; oversight of asset management and operations program; and oversight of climate-related risks, including an external briefing on investor insights on climate change.
- Oversight of cyber security and technology risks and the delivery of a refreshed Cyber and Information Security strategy including ongoing third party cyber security assurance program and review of data protection capabilities and initiatives.
- Approval of, and oversight of the delivery of, the FY21 Internal Audit Plan.

Nomination Committee

Responsibilities:

To assist the Board in fulfilling its responsibilities relating to the composition and performance of the Board, Board appointments, and succession planning.

Areas of focus during FY21 included:

- Ongoing Board succession planning, culminating in the selection and appointment of new Non-executive Directors: two new Non-executive Directors joined during FY21, two new Non-executive Directors joined on 1 July 2021 and, as announced on 1 June 2021, one further new Non-executive Director will be appointed on 1 December 2021 following the retirement of two long-standing Non-executive Directors at the end of the 2021 AGM.
- Oversight of the process for the annual review of Board, Board Committee and Director performance, including the engagement of an external consultant to facilitate the 2021 review.
- Review and recommendation of annual Director re-election and election.

Remuneration, People and Culture Committee

Responsibilities:

To assist the Board in fulfilling its responsibilities in relation to the remuneration of the Chairman and other Non-executive Directors, performance and remuneration of, and incentives for, the CEO and Senior Executives, remuneration strategies, practices and disclosures, and management programs to optimise the contributions of Transurban's people and to support and further corporate objectives.

Areas of focus during FY21 included:

- Reviewing CEO and Senior Executive fixed, performance-based and equity-based remuneration, including ongoing review of appropriate performance measures.
- Review and enhancement of Transurban's remuneration framework to ensure that the framework continues to effectively support Transurban's business strategy.
- Ongoing oversight of Executive development and succession including oversight of the selection and appointment of new Executive Committee members including the new Chief Financial Officer.
- Oversight of Transurban's Diversity and Inclusion practices, programs and initiatives to support and assist with improving diversity and inclusion at all levels of the business: this includes our response to the Australian Human Rights Commission Respect@Work report, update of our Diversity and Inclusion Policy and measurable objectives.

See Remuneration Report on pages 86 to 108 for further information.

Governance policies

Transurban has a number of governance policies to guide how it does business, including:

- **Code of Conduct**—articulates the behaviour expected of Transurban's Directors and employees, who are expected to align their actions with the code and Transurban's values whenever they are representing Transurban.
- **Continuous Disclosure Policy**—establishes our procedure for compliance with Transurban's continuous disclosure obligations and provides guidance for the identification of material information and timely disclosure of Transurban's activities to the market.
- **Dealing in Securities Policy**—prohibits Transurban Directors, employees, contractors and their related parties from dealing in Transurban securities if they are in possession of price-sensitive information and provides for open periods during which Directors and employees may trade, subject to any required approvals being obtained.
- **Ethical Business Practices Policy**—defines the standard required from employees and third parties when working with Transurban, and confirms Transurban's commitment to a sound culture of compliance and ethical behaviour.
- **Health, Safety and Environment Policy**—provides Transurban's commitment to a healthy and safe work environment for all employees, contractors and third parties and to minimise impacts to our environment.
- **Human Rights Policy**—sets out how Transurban respects and supports internationally-recognised human rights.
- **Risk Management Policy and Enterprise Risk Management Framework**—provides guidance and direction on the management of risk in Transurban and states Transurban's commitment to the effective management of risk.
- **Sustainability Policy**—contains our commitment to achieve net zero greenhouse gas emissions by 2050 and describes how we are bringing relevant UN Sustainable Development Goals to life in Transurban.

Corporate Governance Statement

For detailed information on the corporate governance framework and main governance practices, policies and charters of Transurban Group for the year ended 30 June 2021, including details of the Group's compliance with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations, refer to the Group's 2021 Corporate Governance Statement on the Transurban website.

Read more at transurban.com/corporate-governance

- **Whistleblower Policy**—encourages Transurban Directors, employees, contractors and suppliers who have witnessed, or know about, any misconduct or suspected misconduct to speak up without fear of intimidation, disadvantage or reprisal.

Board of directors

Lindsay Maxsted

DipBus, FCA, FAICD—Age 67

Chair and independent Non-executive Director since August 2010 and March 2008 (respectively)

Chair of the Nomination Committee

Skills and experience

Lindsay is the Managing Director of Align Capital Pty Limited and Honorary Treasurer of the Baker Heart and Diabetes Institute.

Lindsay was previously Chair (2011–2020) and a Non-executive Director of Westpac Banking Corporation (2008–2020), a Non-executive Director of BHP Group Limited and BHP Group plc (2011–2020) and a partner of KPMG Australia where he was CEO of that firm from 2001 to 2007. His principal area of practice prior to this was in the corporate recovery field managing a number of Australia's largest insolvency/workout/turnaround engagements.

Scott Charlton

BSc, MBA—Age 57

Chief Executive Officer and Executive Director since July 2012

Skills and experience

Scott joined Transurban from Lend Lease, where he held positions as Group COO and Group Director of Operations. Previously Scott held several senior positions across a range of infrastructure entities and financial institutions, including as CFO of Leighton Holdings Limited and Managing Director of Deutsche Bank in Australia and Hong Kong.

Scott is Deputy Chair of Infrastructure Partnerships Australia and is a member of the Monash Industry Council of Advisers, the Business Council of Australia and Roads Australia.

Mark Birrell AM

BEc, LLB, HonLLD, FAICD—Age 63

Independent Non-executive Director since May 2018

Member of the Audit and Risk Committee and the Nomination Committee

Skills and experience

Mark is an experienced Director with credentials spanning the private and public sectors. He has deep industry knowledge in the fields of transport, infrastructure and logistics. Mark is Chair of Post Super Pty Ltd (since 2013) and past President of the Victorian Chamber of Commerce and Industry.

His previous roles include Chair of Regis Healthcare Limited (2014–2018), Infrastructure Australia, the Port of Melbourne Corporation, Evans & Peck Limited, and Deputy Chair of Australia Post. He brings extensive legal experience and was National Leader of the Infrastructure Group at Minter Ellison.

Mark was the founding Chair of Infrastructure Partnerships Australia, the nation's peak infrastructure sector body, and has a significant public policy background through his earlier service as a Cabinet Minister in Victoria.

Terence Bowen

BAcc, FCPA, MAICD—Age 54

Independent Non-executive Director since February 2020

Member of the Audit and Risk Committee and the Nomination Committee

Skills and experience

Terry has over 25 years' of extensive financial, strategic and operational experience across a range of sectors within some of Australia's leading companies.

Terry is currently Chair of the Operations Group at BGH Capital, and a Non-executive Director of BHP Group Limited and BHP Group Plc (since 2017), Navitas Pty Ltd and the West Coast Eagles Football Club. He previously served as Managing Partner and Head of the Operations Group at BGH Capital and prior to this served as an Executive Director and Finance Director of Wesfarmers Limited (2009–2017), Finance Director of Coles and Managing Director of Wesfarmers Industrial and Safety. Terry was formerly the CFO of Jetstar Airways, and before this held senior finance roles with Tubemakers of Australia Limited.

He is a former Chair of the West Australian Opera Company Incorporated and a former Non-executive Director of the Western Australian Institute of Medical Research Pty Ltd, Gresham Partners Holdings Limited and Gresham Partners Group Limited.

Neil Chatfield

MBus, FCPA, FAICD—Age 67

Independent Non-executive Director since February 2009[1]

Chair of the Audit and Risk Committee and a member of the Remuneration, People and Culture Committee, and the Nomination Committee

Skills and experience

Neil is an established Executive and Non-executive Director with extensive experience across all facets of company management, and with specific expertise in financial management, capital markets, mergers and acquisitions, and risk management.

Neil is the Chair (since 2015) and a Non-executive Director of Costa Group Holdings Limited (since 2011) and Chair (since 2019) and a Non-executive Director of Aristocrat Leisure Limited (since 2018). Neil is also Chair of Launch Housing, a not-for-profit organisation.

He was previously the Chair (2012–2018) and a Non-executive Director of Seek Limited (2005–2018), a Non-executive Director of Atomos Limited (2018–2019), a Non-executive Director of Iron Mountain Incorporated (2016–2017) and a Non-executive Director of Whitehaven Coal Ltd (2007–2012). Neil also previously served as Executive Director and the CFO of Toll Holdings.

Patricia Cross

BSc (Hons), FAICD—Age 62

Independent Non-executive Director since July 2021

Member of the Remuneration, People and Culture Committee and the Nomination Committee

Skills and experience

Patricia has extensive international experience as both an executive and non-executive director across a wide range of financial services and other industries. She has expertise in capital markets, risk management, corporate governance, treasury and international affairs.

Patricia is currently a Guardian of the Future Fund's Board of Guardians (since 2021), a Non-executive Director of Aviva plc (since 2013), and an Ambassador for the Australian Indigenous Education Foundation (since 2008).

She was previously Chair of the Commonwealth Superannuation Corporation (2014–2021), a Non-executive Director of Macquarie Group Limited (2013–2018), National Australia Bank Limited (2005–2013), Qantas Airways Limited (2004–2013), and Wesfarmers Limited (2003–2010). Patricia also held several honorary government positions including as a founding member of the Financial Sector Advisory Council and as a member of the Panel of Experts to the Australian Financial Centre Forum.

As an executive, Patricia lived and worked in seven different countries holding a number of senior leadership positions with Chase Manhattan Bank and Chase Investment Bank, Banque Nationale de Paris, and National Australia Bank Limited.

Craig Drummond

BCom, FCA, SF Fin—Age 60

Independent Non-executive Director since July 2021

Member of the Audit and Risk Committee and the Nomination Committee

Skills and experience

Craig has over 30 years' experience in financial and regulated service industries. He has extensive experience across all facets of company management, including equity and debt capital markets, risk management and business strategy.

Craig is currently a Non-executive Director of the Australian Foundation Investment Company Limited (since 2021), President of the Geelong Football Club and a Director on the Board of Governors at The Ian Potter Foundation.

He was previously a Director at the Florey Institute of Neuroscience and Mental Health (2009–2017) and also held a number of senior leadership positions including Chief Executive Officer of Medibank (2016–2021), Group Executive Finance and Strategy of National Australia Bank Limited and Chief Executive Officer and Country Head of Bank of America Merrill Lynch (Australia).

Earlier in his career, Craig held various roles at JBWere, including COO, CEO and Executive Chairman of Goldman Sachs JBWere.

Samantha Mostyn AO

BA, LLB—Age 55

Independent Non-executive Director since December 2010[1]

Chair of the Remuneration, People and Culture Committee and a member of the Nomination Committee

Skills and experience

Sam has significant experience in the Australian corporate sector both in executive and non-executive capacities, in particular in the areas of human resources, corporate and government affairs, sustainability management and diversity.

Sam is Chair (since 2015) and a Non-executive Director of Citigroup Pty Limited (since 2011), and a Non-executive Director of Mirvac Group Limited (since 2015). She is also a Director of the Sydney Swans Football Club.

She was previously a Non-executive Director of Virgin Australia Holdings Limited (2010–2019) and Cover-More Group Limited (2013–2017).

Sam is a member of the NSW Climate Change Council, the advisory boards of ClimateWorks Australia, a Board member of the GO Foundation and of the Centre for Policy Development. She is also President of Chief Executive Women and Chair of Alberts Group and the Australian National Research Organisation for Women's Safety. She was previously Chair of Carriageworks.

Timothy Reed

BCom (Hons), MBA, MAICD—Age 51

Independent Non-executive Director since November 2020

Member of the Remuneration, People and Culture Committee and the Nomination Committee

Skills and experience

Tim has over 30 years' experience in technology, marketing, strategy and business development gained from various roles held in Asia, Europe, the USA and Australia.

Tim is currently the President of the Business Council of Australia and co-Managing Director of Potentia, a private equity firm focused on technology businesses.

He was formerly the CEO of MYOB (2008–2019) and before this held a range of other senior management roles during his 16-year career with the business. Prior to joining MYOB, Tim also held senior management roles in sales, marketing, product management and business development with software and technology businesses in Silicon Valley.

Peter Scott

BE (Hons), MEngSc, Hon FIEAust, MICE—Age 67

Independent Non-executive Director since March 2016

Member of the Audit and Risk Committee and the Nomination Committee

Skills and experience

Peter has over 20 years' senior business experience in publicly listed companies and a breadth of expertise in the engineering and finance sectors.

He was formerly the CEO of MLC and head of National Australia Bank's Wealth Management Division and held a number of senior positions with Lend Lease.

Peter is a Non-executive Director of Centuria Healthcare Limited. His pro-bono activities include being Chair of Igniting Change Limited, a not-for-profit organisation, and a Fellow of the Senate of the University of Sydney. He was previously Chair and a Non-executive Director of Perpetual Equity Investment Company Limited (2014–2017), Chair (2010–2017) and a Non-executive Director of Perpetual Limited (2005–2017) and a Non-executive Director of Stockland Corporation Limited (2005–2016).

Robert Whitfield AM

BCom, Grad Dip Banking, Grad Dip Fin, AMP, SF Fin, FAICD—Age 56

Independent Non-executive Director since November 2020

Member of the Audit and Risk Committee, Remuneration, People and Culture Committee and the Nomination Committee

Skills and experience

Rob has extensive financial, risk and capital markets experience in senior management roles across the public and private sectors.

Rob is currently a Non-executive Director of the Commonwealth Bank of Australia (since 2017) and GPT Group (since 2020).

He previously served as Chair and Director of New South Wales Treasury Corporation, Secretary of NSW Treasury, Secretary of NSW Industrial Relations, and as Deputy Chair of the Australian Financial Markets Association. Prior to this, Rob had a 30-year executive career with Westpac Banking Corporation where he held a number of senior leadership positions including CEO of the Institutional Bank, Chief Risk Officer and Group Treasurer.

Jane Wilson

MBBS, MBA, FAICD—Age 63

Independent Non-executive Director since January 2017

Member of the Remuneration, People and Culture Committee and the Nomination Committee

Skills and experience

Jane has over 20 years' experience as an independent director of public companies, government-owned corporations and not-for-profit organisations. She has considerable experience in finance, banking and medicine.

Jane is a Non-executive Director of Sonic Healthcare Limited (since 2010) and Costa Group Holdings Limited (since 2019). She is also Co-Chair of the Australian Government Advisory Board on Technology and Healthcare Competitiveness and a Director of Rugby Australia (since 2021).

She was previously a Guardian of the Future Fund (2015–2021), the Deputy Chancellor of the University of Queensland, and a Non-executive Director of the General Sir John Monash Foundation, Opal Aged Care Limited and the Winston Churchill Memorial Trust.

1 *Transurban has announced the retirement of Mr N Chatfield and Ms S Mostyn effective from the end of the 2021 Annual General Meetings. Upon their retirement, Mr T Bowen will Chair the Audit and Risk Committee and Mr R Whitfield will Chair the Remuneration, People and Culture Committee*

Risk management

A holistic and practical approach to identifying and managing risks is essential for an organisation's resilience, sustainability and social licence. By understanding and anticipating change, we are able to mitigate associated threats, and take advantage of business opportunities to benefit all of our stakeholders.

Risk management is embedded into our strategy setting and decision-making processes as well as our daily operations to ensure we continuously deliver value for our stakeholders. We proactively implement strategies and contingency plans to manage risk, and assess how effective they are through regular reviews so we can make changes where necessary.

The Enterprise Risk Management (ERM) Framework is central to this approach. It provides governing principles and guidance on how to identify, assess, manage and escalate risks to ensure we respond appropriately to those with the potential to materially impact our business.

The ERM Framework is overseen by the Board and the Audit and Risk Committee and is actively managed by the CEO and Executive Committee along with senior managers. It includes a Risk Appetite Statement spanning financial and non-financial measures outlining the level of risk that we are prepared to either accept, tolerate or avoid in the pursuit of our business strategy. The Risk Appetite Statement is critical in guiding our attitudes and behaviours towards risk, and is reviewed by the Board annually.

To ensure we are operating effectively within our risk appetite thresholds we have linked our Risk Appetite Statement to Key Risk Indicators (KRIs) and Key Performance Indicators (KPIs). By using these KRIs and KPIs, we can measure our business and risk management performance against financial and non-financial risk appetite. This performance is tracked and presented to the Board to provide early insights on our risk exposure.

Figure 20: Enterprise Risk Management Framework in action

	Annual activity	Quarterly activity	Continuous activity	Alignment with Internal Audit
ARC/Board	Review ERM effectiveness and approve changes	Review material and emerging risks		Update plan based on key risks and themes
Executive Committee	Review and update risk appetite	Review key business, strategic and emerging risks	Risk and compliance status reporting	Annual review of business compliance
Markets and Business Units	Set risk objectives and priories in Business Plan	Consolidate and review key business and operational risks	Validate key risks and compliance requirements	Internal Audit plan reviewed and updated to reflect any emerging risks
Operations, Assets, Projects and Bids	Update risks inline with objectives	Formal review of risk registers	Review key risks and treatments	Audit reports incorporated in control assessments and management actions to enhance controls

Leveraging risk intelligence

A key part of our approach has been in developing the organisational capability and maturity, to enable risk to be openly discussed and learnings shared. A number of factors can influence all aspects of risk management. It is critical that we monitor and assess the organisation's risk culture annually to determine the effectiveness of our risk management capabilities and assess the depth of Transurban's risk culture.

The ERM Framework is integrated with related processes and policies such as the Code of Conduct, Compliance Framework, Health, Safety and Environment, Internal Audit, Tax, Treasury, Procurement, Business Resilience and Insurance to ensure a business wide view of our risks and enable for full consequences of risk to be understood and addressed.

To further support our risk management approach we have a dedicated organisational wide ERM software system spanning all our business disciplines, projects, operations, functions and strategic plans to support the proactive management of risks. This has allowed us to harness risk intelligence, share risk management knowledge, controls and solutions across teams, pursue opportunities and drive innovation across Transurban.

In FY21 we continued to invest in linking our risk management, incident, operational and HSE information through data analytics to enable us to understand our risk landscape and test our strategic decision making.

Measuring the effectiveness of our activities

The ERM Framework is linked to our assurance and governance processes—with outcomes from our risk processes used to define areas of focus for Internal Audit. These audits provide independent assurance to our Audit and Risk Committee in fulfilling their responsibility for overseeing the organisation's risks and controls and support management in maintaining an effective risk and control environment.

In addition, to determine the current effectiveness of our risk management capabilities and assess the depth of our risk culture, a series of risk-related questions are included in our annual employee 'Our Voice' survey. The purpose of these questions is to assess the current understanding of risk, level of risk management practice within the business, and confirm the propensity of employees and the business to take considered risk.

Annually, the Board requests that Internal Audit undertakes a review of Transurban's ERM framework. This review is to satisfy the Board that the framework itself continues to be sound and aligned to the ASX Corporate Governance Council Principles and Recommendations. This review consists of a high-level gap analysis of the alignment of the Transurban risk management approach with ASX Corporate Governance Council Principles and Recommendations, examines alignment to the ISO 31000:2018 and assesses the ERM against other leading practice frameworks.

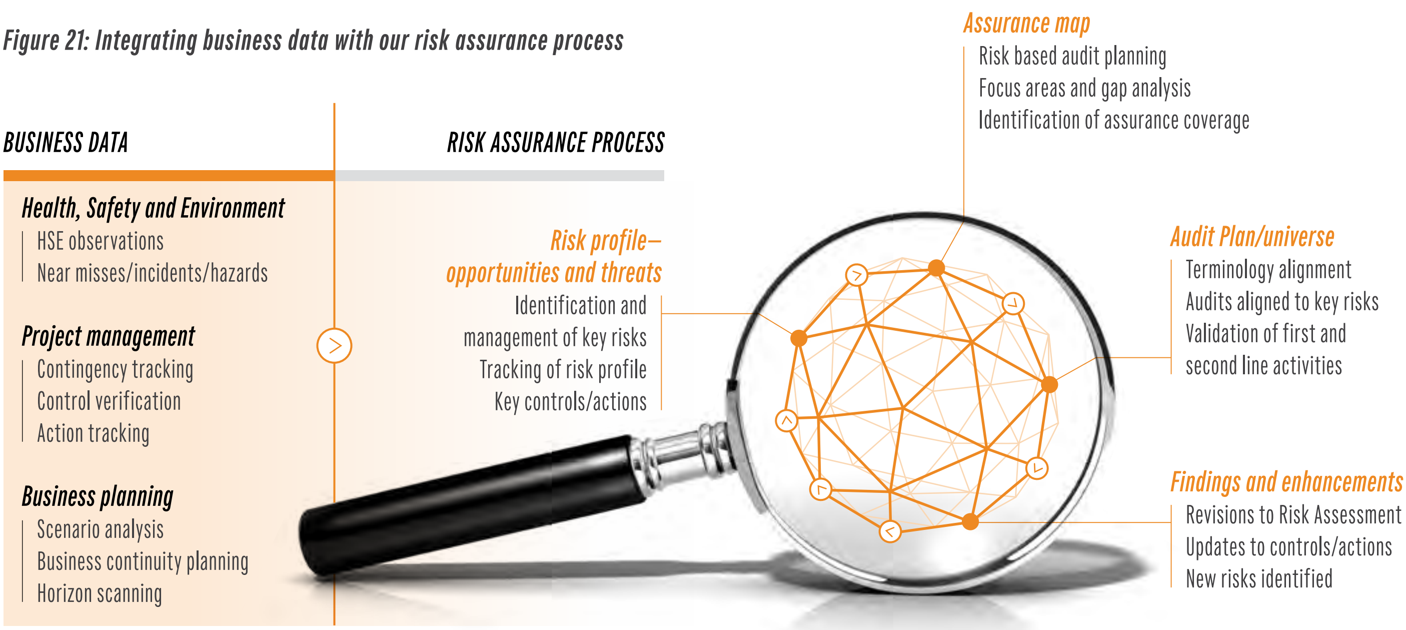
The detailed results from both the employee and ERM review are used to identify business areas requiring focused risk support and capability development activities. The results and feedback will also form the basis of future risk management training, education and ERM Framework improvement activities.

To support broader Internal Audit assurance activities Transurban utilises a co-sourced operating model consisting of an external independent Internal Audit Service Provider (EY) and a core internal team led by the Head of Internal Audit.

> *It is critical that we monitor and assess the organisation's risk culture annually*

This approach enables a balance of independence, external subject matter expertise and internal knowledge. Internal Audit operates under a plan approved annually by the Audit and Risk Committee and has full access to all functions, records, property and personnel of the Transurban Group. Internal Audit administratively reports to the Company Secretary and has a direct reporting line to the Chair of the Audit and Risk Committee. The results of Internal Audit activities are reported to the Audit and Risk Committee.

Figure 21: Integrating business data with our risk assurance process



–Case study–

Preparing for and preventing operational disruption

A key goal for Transurban's ERM program is to harness and share risk management knowledge and risk intelligence across the business to drive operational resilience.

Operational resilience is critical to managing our road networks to enable continued access to our essential infrastructure, avoid economic disruption and protect our customer's personal information. Scenario risk analysis and horizon scanning are regularly undertaken to support our operational resilience.

Scenarios analysed include lack of access to locations, supply chain disruption, personnel availability, community support/ expectations and revenue impacts.

This risk intelligence is then linked to our emergency management, business continuity, and crisis management processes. This has enabled us to prepare for potential operational and business disruption events, trial alternative approaches to prevent, respond and recover from incidents and disruption, and finally to pursue improvement opportunities.

Through horizon scanning we monitor national and global events to identify emerging potential threats to our business and quickly identify potential areas of exposure should disruptive events occur locally or overseas. In parallel we prepare for and test our response capabilities. Over the last twelve months Transurban has conducted over 20 emergency management exercises spanning technical, operational and reputational issues across all of its markets. These exercises have utilised both onsite and virtual remote participation, using technology to support collaboration, situational awareness and communications irrespective of where people were located. These exercises have also involved third party support including emergency services.

Finally, the team has continued to assess emerging opportunities and threats to determine the potential future disruption landscape post COVID-19.

A recent emergency field exercise testing our integrated response to a controlled collision of two heavy vehicles in a Sydney tunnel

Key risks—Opportunities and threats[1]

↑ Up ↓ Down — Neutral

Opportunities	Change in opportunity within FY21[2]	Example management responses
New business opportunities in our target markets Opportunities to further grow the business and enhance existing assets and operations.	↑ Increase reflects material emerging opportunities in core markets	• Focus on the right opportunities aligned to our business strategy • Continue to build relationships with partners and other stakeholders • Demonstrate core capabilities and delivery credibility • Maintain leading understanding of the transport needs of our markets and develop solutions based on this understanding • Demonstrate leadership in sustainability, climate risk, road safety and emerging technologies • Develop new service offerings utilising existing capabilities.
Harness technology and services to develop new projects and offerings Transurban's technology footprint and mobile app platforms present the opportunity to respond to customer opportunities within the market or establish differentiators against our competitors.	—	• Customer listening programs, horizon scanning and emerging technology review to identify trends • Technology road map, including identification of suitable technology partners and solutions • Strategic initiatives to test and pilot technology adaptations • Community and customer engagement • Continued investment in channel optimisation and digital offerings including apps and features • Cloud and digital architecture strategy • Future development and expansion of LinktGO.
Sustainability initiatives to enhance road user and community experience Opportunity to further pursue sustainability projects to enhance social and environmental outcomes for communities and social licence credentials.	↑ Increase reflects the successful implementation of a number of sustainability initiatives	• Customer Hardship Program and Financial Inclusion Action Plan • Managed motorway risks such as pre peak-hour speed limit reductions to lower risk of rear-end crashes • Transurban Road Safety Centre at Neuroscience Research Australia (NeuRA) research program • Membership with Social Traders to identify opportunities to increase direct and indirect spend with certified social enterprises • Infrastructure Sustainability ratings for road assets • Research and pilots of new technologies to reduce environmental impacts of construction materials as well as other initiatives to move toward carbon neutrality • Sustainability strategy aligned to the nine UN Sustainable Development Goals most relevant to our business • Sustainable procurement program which also addresses modern slavery risks.

Threats	Change in threat within FY21[2]	Example management responses
Maintaining our social licence to operate Failure to live the Transurban values when engaging with our stakeholders or failure to satisfactorily meet their needs could result in a loss of trust in our business, with implications for our reputation and business operations.	↑ Increase reflects expanding community expectations of corporates and governments	• Expanded efforts to support Australian customers experiencing social and financial hardship for a range of reasons • Proactive activities to enhance our social licence to operate • Program of activities that engage stakeholders on local and global social issues • Proactive engagement with governments on tolling reform (including response to NSW Tolling inquiry) • Transparent communication of fees and charges including fee free options • Development of tools and campaigns to help customers make informed choices • Continuous listening through Community Trust benchmark and 'Voice of Customer' program to identify issues and trends • Internal workforce initiatives such as 'respect in the workplace' to continue to drive diversity, appropriate behaviours and a safe workplace.
Unfavourable changes in the market or to operating conditions Key assumptions relating to the operating environment (including potential disruption events) and/or budget forecasts may prove to be incorrect.	↑ Increase reflects impacts of COVID-19 and ongoing government responses	• Revised traffic models to reflect dynamic external environment in light of COVID-19 • Scenario analysis reflecting further COVID-19 future outlook uncertainties and other potential disruption events • Strategic and emerging risks and mitigations identified and managed as part of the overall Risk Management Framework • Ongoing regional and asset traffic analysis supplemented by third party data and/or review • Consideration of extreme and future weather events or land use changes.

1 *Transurban's exposure to financial risks and the policies we have in place for managing that risk can be found in the Derivatives and Financial Risk Management notes—see note B15. This section discusses our hedging policies, credit risk, interest rate risk and liquidity and funding policies*

Transurban considers the impacts of climate change as a potential contributing factor to many of our threats and opportunities. For more information on our climate change management strategies and our consideration of transition and physical risks refer to Climate risk management on page 80 of this Report and our Sustainability Supplement

2 *Directional arrows are a general assessment only of the risk change over the year, detailed risk reviews are undertaken regularly to ensure alignment with our risk appetite statement as outlined on pages 74 and 75*

Key risks—Opportunities and threats[1]

↑ Up ↓ Down — Neutral

Threats	Change in threat within FY21[2]	Example management responses
Delivering our major projects to meet agreed outcomes Contractor performance or behaviour could lead to a failure to deliver projects on time and within budget resulting in reputational issues which could impact on future opportunities.	↑ Increase reflects issues around contractor performance and nature of the contractor market place during the period	• Due diligence throughout procurement and tender processes • Project Steering groups, Internal Audit Program and Program reviews • Enterprise Risk Management Framework incorporating project risk reviews • Ongoing focus on relationship with current and potential suppliers including senior executive engagement with major contractors.
Customer and road safety Failure to effectively manage road infrastructure and response to incidents could impact customer and road safety.	↓ Decrease due to implementation of road enhancements and engagement with research/ safety agencies to develop and promote safety initiatives	• Australian Road Research Board assessment of the Australian network to determine International/Australian Road/Assessment Program safety ratings • Monash University Accident Research Centre analysis of serious injury crashes on Australian roads • Road Safety Action Plans and Community of Practice • Continued focus on emergency response capabilities and delivery of emergency management exercises • Transurban Road Safety Centre at NeuRA research program • Scenario analysis of weather events and their impact on road safety.
Cyber security and information protection Failure to appropriately manage, govern and protect customer and company data and systems from cyber threats, resulting in information or data loss and operational disruption.	↑ Increasing to reflect the nature of the current threat landscape	• Implementation and operation of a Cyber Security Framework aligned to industry standards to protect against cyber attacks and disruption • Review and management of cyber risks and threats, and provided regular reporting on key cyber risks and cyber control metrics to executive and management • Funding of a cyber program in order to maintain security posture within risk appetite over time supported by training and awareness campaigns.
Failure of technical infrastructure or an inability to respond effectively to a disruption Failure to adequately maintain our infrastructure or failure to respond effectively to an emerging failure, incident or disruption, including preparing for potential changes to the operating environment, could lead to impacts on asset lifecycle planning, breaches of concession, possible safety risks and/or reputational damage.	↓ Decrease due to the implementation of initiatives to enhance operational resilience, such as enhanced control rooms and operation centres and regular response exercises	• Transurban Asset Management System and associated processes • Supplier and Contractor Management Framework outlines requirement for regular audits, inspections and quality assurance assessments of contractors and sub-contractors • Asset reviews and Internal Audit Program • Scenario analysis of future weather events and/or changes in the operating environment on system/asset reliability and asset lifecycle planning • Business Continuity Plan and Incident Management and Emergency Strategy Teams in place • Annual desktop exercises and field exercises with emergency services to coordinate response • Annual update and review of all corporate emergency procedures.
Changes in government policies or regulatory interpretations A change in government policy or expectations could impact on the ability to deliver the business strategy.	—	• Contributions to policy discussions through submissions to government inquiries and draft strategies • Engagement with at all levels of government—political and bureaucratic—to understand policy positions (and their potential implications) • Monitoring potential changes to stakeholder and government policies, including alignment to TCFD recommendations and transition to net zero • Compliance management system enhancement in place and automatic notification and escalation of compliance actions and regulatory changes • Compliance working group continues to oversee and report to Board on compliance activities.

1 *Transurban's exposure to financial risks and the policies we have in place for managing that risk can be found in the Derivatives and Financial Risk Management notes—see note B15. This section discusses our hedging policies, credit risk, interest rate risk and liquidity and funding policies*

Transurban considers the impacts of climate change as a potential contributing factor to many of our threats and opportunities. For more information on our climate change management strategies and our consideration of transition and physical risks refer to Climate risk management on page 80 of this Report and our Sustainability Supplement

2 *Directional arrows are a general assessment only of the risk change over the year, detailed risk reviews are undertaken regularly to ensure alignment with our risk appetite statement as outlined on pages 74 and 75*

Key risks—Opportunities and threats[1]

↑ Up ↓ Down — Neutral

Threats	Change in threat within FY21[2]	Example management responses
Ensuring the safety and wellbeing of employees and contractors Due to the nature of some of our work activities, employees, workers and other stakeholders could be exposed to harm or suffer wellbeing issues if business controls fail to be adequate. Mental wellbeing of employees could be impacted given COVID-19.	—	• Safety reporting and management systems that enable detailed analytics • Contractor management and engagement to ensure implementation of Transurban minimum requirements • Ongoing development and implementation of the Transurban HSE culture including delivery of mental health and wellbeing initiatives and support services • HSE training and awareness including practical exercises • Proactive HSE observation and HSE Action Plan activities linked to employee performance KPIs • Regular internal and external HSE reviews of our HSE frameworks and management system.
Dependency on third parties and critical suppliers Loss of a key strategic supplier due to liquidation, legal action, buyout/takeover. Likewise, availability or performance issues could lead to a disruption in supply of a critical service/ capabilities to Transurban.	↑ Increase reflect the challenges associated with the restrictions on movement and supply changes due to COVID-19 restrictions.	• Due diligence throughout procurement processes • Environmental scans and industry engagement • Supplier and Contractor Management Framework which includes requirements for Supplier Performance Management • Ongoing delivery of Sustainable Procurement Program including acting in accordance with the Modern Slavery Act requirements, potential climate change obligations and collaboration with suppliers to respond to potential risks within our supply chain.
Inability to attract and retain the workforce capability required by the organisation for critical roles An inability to attract best talent as well as ensure that we retain the key critical people necessary to drive and grow the business could lead to the unavailability of critical key roles or capabilities. This combined with the impact of COVID-19 on critical or overseas resources/support requirements could impact on the availability of operational resources to support projects, bids and development opportunities.	↑ Increasing to reflect the demand for talent and tightening of employment landscape	• Strategically prioritising talent growth and development opportunities • Workforce planning • Regular talent reviews and succession planning • Employee engagement, belonging and wellbeing initiatives • Strategic sourcing for agreed roles • Tactical strategies including resourcing, retention, performance and remuneration to support acquisition and retention of critical skills • Key industry partnerships/memberships.
Treasury management of debt, liquidity, and balance sheet Volatility in interest rates, hedging and refinancing could impact financial exposure and funding for new projects.	—	• Rating protections through Transurban's predictable cash flow from established concessions, which are supported by embedded Tarif escalations • Regular reporting of funding activities, performance against key metrics, compliance, operational issues/breaches • Annual review and approval of the Treasury Frameworks, Treasury Policy and Charter by the Board • Capital Strategy and annual review of the Funding Plan • Monthly reporting of compliance against debt • Stress testing of debt exposure based on market assumptions • Disciplined approach to opportunities • Effective management of costs, debt and balance sheet.

1 Transurban's exposure to financial risks and the policies we have in place for managing that risk can be found in the Derivatives and Financial Risk Management notes—see note B15. This section discusses our hedging policies, credit risk, interest rate risk and liquidity and funding policies

Transurban considers the impacts of climate change as a potential contributing factor to many of our threats and opportunities. For more information on our climate change management strategies and our consideration of transition and physical risks refer to Climate risk management on page 80 of this Report and our Sustainability Supplement

2 Directional arrows are a general assessment only of the risk change over the year, detailed risk reviews are undertaken regularly to ensure alignment with our risk appetite statement as outlined on pages 74 and 75

Climate risk management

We acknowledge that climate change will influence our business and operations into the future, and we are therefore committed to transitioning towards a low-carbon economy and implementation of broader business resilience and adaptation.

Our Climate Change Framework (Figure 22) is a business-wide strategy to support our transition to net zero emissions by 2050, and implementation of measures to ensure our infrastructure and operations are resilient under potential conditions into the future.

The Enterprise Risk Management (ERM) Framework (see page 74) is used to manage the threats and opportunities relating to climate change across our business and operations and is an integral part of our decision making process.

Our progress towards addressing climate-related risk

In our FY20 Climate Change Disclosure we addressed all eleven recommendations of the Task Force on Climate-Related Disclosures (TCFD). The recommendations aim to enhance financial disclosure of climate-related risks and subsequent impacts on business models and operations and cover the themes of governance, strategy, risk management, and metrics and targets. For FY21 we have made further progress against most of the TCFD recommendations. Our full disclosure is available in our FY21 Sustainability Supplement and the highlights are provided below:

Governance

TCFD recommended disclosure: Disclose the organisation's governance around climate-related risks and opportunities

Our response:

- Climate-related risks covering both threats and opportunities are overseen by the Board of Directors via the Audit and Risk Committee.
- In addition to the quarterly risk reviews, the Audit and Risk Committee is updated at least twice each year on specific climate-related risks, emerging themes, and areas of progress. In FY21, Emma Herd, the former CEO of the Investor Group on Climate Change (IGCC), presented to the Committee on investor climate change insights.
- Responsibility for climate-related risks applies to all areas of the business and all markets, however the strategic response and overall direction is managed between the Sustainability and Risk leadership teams and relevant members of the Executive Committee.
- A cross-discipline internal governance group provides additional oversight of climate-related initiatives, management priorities, and annual reporting.

Strategy

TCFD recommended disclosure: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

Our response:

- Our Climate Change Framework (Figure 22) addresses the direct and indirect impacts of climate change associated with our business and operations and sets our strategic direction across short, mid and longer-term horizons.
- We expect that climate change will affect all areas of Transurban's organisational strategy to some extent and may influence some of the ways we manage our business.
- Climate-related threats and opportunities have been identified and consolidated into six high-level strategic risk themes and climate change (as a broad topic) is also considered as a broader strategic business risk. Materiality is determined based on the potential long-term impacts, likelihood the risk will be realised, and relationship with our organisational strategy and financial systems.
- Based on continued impact modelling and internal engagement, we do not expect any material short or mid-term financial impacts to the business.
- Longer-term financial impacts continue to be assessed on a case-by-case and asset-by-asset basis, to understand the potential threats and strategies required to capitalise on potential emerging opportunities. We have included a case study in our FY21 Sustainability Supplement that investigates the potential long-term changes to customer driving behaviour due to extreme weather and impacts on toll revenue.
- Individual risk responses consider multiple climate change scenarios, emerging trends, and timing of possible impacts. Each response summarises existing controls and any priority actions.

Risk management

TCFD recommended disclosure: Disclose how the organisation identifies, assesses, and manages climate-related risks

Our response:

- The process to identify and manage climate-related risks aligns with Transurban's enterprise approach to risk management through the utilisation of the ERM Framework, which provides guidance on the identification, assessment, management and escalation of risks. This approach ensures that key risks, including any climate-related risks which have the potential to have a material impact on the business, are appropriately escalated for decision-making and proactive management.
- Our approach to climate risk management includes the use of scenario analysis, a two-stage assessment process to model and quantify impacts where possible and document the impacts of risks on a range of financial and non-financial systems and processes.
- Climate change physical risk assessments have now been undertaken for all Australian and North American assets under our operational control. Refer to our FY21 Sustainability Supplement for detail.
- A detailed physical climate risk and adaptation assessment was undertaken on the M2 Motorway, which will inform future identification and implementation of adaptation measures across the broader portfolio over the coming years. The assessment methodology is consistent with the Infrastructure Sustainability (IS) Operations rating tool managed by the Infrastructure Sustainability Council of Australia (ISCA). A case study highlighting the key findings is included in the FY21 Sustainability Supplement.
- On major projects, our contractors are required to undertake a climate change risk adaptation assessment, consider the impact of design and construction on the environment, and achieve sustainability performance ratings. In Australia, all major projects are required to achieve at least an 'Excellent' IS rating through design and construction. In North America, we have committed to achieving 'Envision' sustainability ratings from the Institute of Sustainable Infrastructure for our three current major projects (Fredericksburg Extension, 495 Express Lanes Northern Extension and Maryland Express Lanes).

Metrics and targets

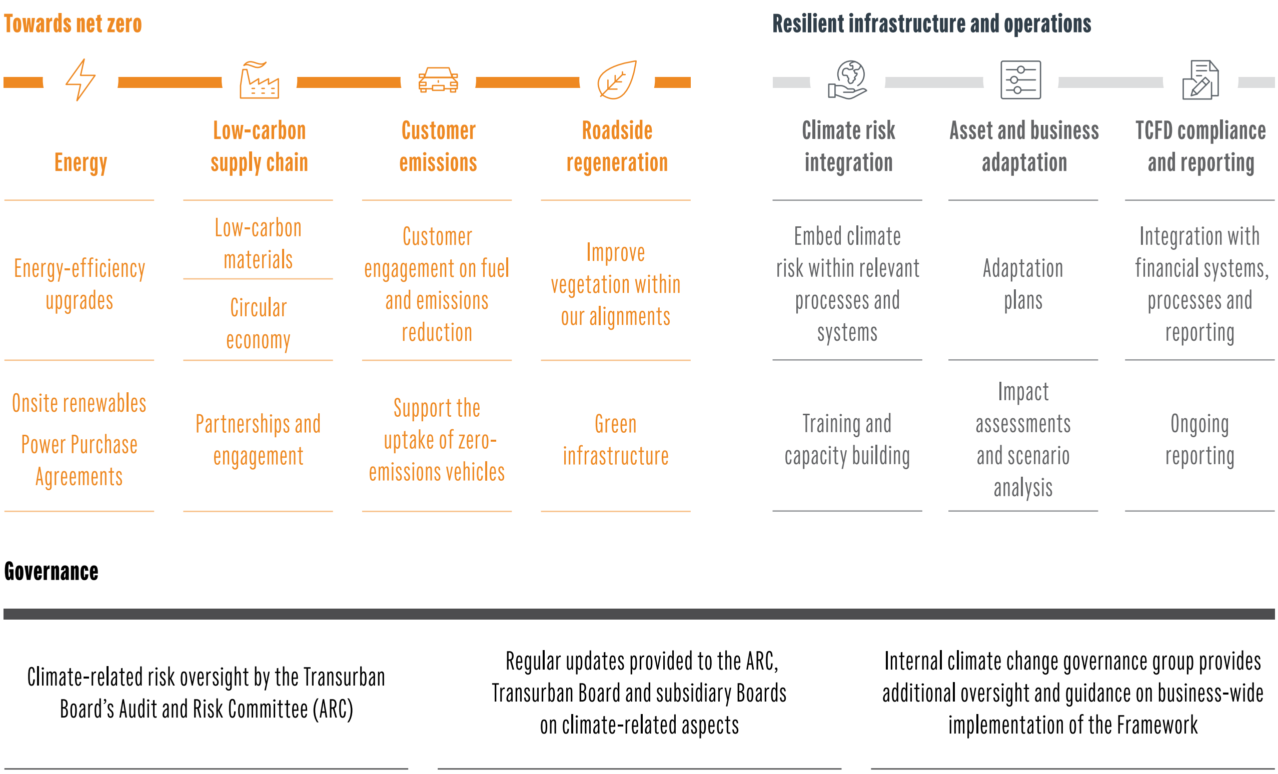
TCFD recommended disclosure: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Our response:

- We have a set of performance metrics that aligns with our key climate-related threats and opportunities.
- Our disclosure includes reporting on Scope 1, 2 and 3 emissions as well as customer emissions, related risks and their management.
- We have established Scope 1, 2 and 3 greenhouse gas emission reduction targets for 2030 (validated by the Science Based Targets initiative) and are committed to achieving net zero by 2050.

Our Climate Change Framework is a business-wide strategy to support our transition to net zero emissions by 2050

Figure 22: Our Climate Change Framework



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Directors' report

Directors' report

The Directors of Transurban Holdings Limited ('the Company', 'the Parent' or 'THL') and its controlled entities ('Transurban', 'Transurban Group' or 'the Group'), Transurban International Limited and its controlled entities ('TIL'), and Transurban Infrastructure Management Limited ('TIML'), as responsible entity of Transurban Holding Trust and its controlled entities ('THT'), present their Directors' Report on the Transurban Group for the financial year ended 30 June 2021 ('FY21').

The controlled entities of THL include the other members of the stapled group, being TIL and THT.

The Directors' Report has been prepared in accordance with the requirements of the *Corporations Act 2001* with the following information forming part of this Directors' Report:

- Operating and financial review (see right)
- Remuneration Report on pages 86 to 108
- Directors' declaration on page 209
- Auditor's independence declaration on page 109.

Principal activities

The principal activities of the Group during the year were the building and operation of toll roads in Sydney, Melbourne and Brisbane, in Australia, as well as in the Greater Washington Area and Montreal in North America. There has been no significant change in the nature of these activities during the year.

Operating and financial review

A review of Group operations and the results of those operations during the year, including likely developments in future financial years and risk management, are on pages 14 to 81 of this report. Other than the information included in the operating and financial review and throughout this Corporate Report, information on other likely developments, business strategies and prospects for future financial years has not been included as it would be likely to result in unreasonable prejudice to the Group.

Further details of the results of the Group's operations are provided in the Financial Statements on pages 110 to 208 of this report.

Directors' details

The Directors of THL, TIML and TIL have common Directors. The names of Directors who served during or since the end of FY21 are below. All Directors held their positions for the duration of FY21 unless otherwise stated.

- Lindsay Maxsted (Chairman)
- Scott Charlton (Chief Executive Officer)
- Mark Birrell
- Terence Bowen
- Neil Chatfield
- Patricia Cross (appointed 1 July 2021)
- Craig Drummond (appointed 1 July 2021)
- Samantha Mostyn
- Timothy Reed (appointed 1 November 2020)
- Peter Scott
- Robert Whitfield (appointed 1 November 2020)
- Jane Wilson
- Christine O'Reilly (retired 8 October 2020)

Details of each Director's appointment, qualifications, experience and special responsibilities, together with their recent directorships, are set out on pages 72 to 73.

Company secretaries

Fiona Last and Julie Galligan are Company Secretaries of THL, TIML and TIL.

Fiona Last

LLB (Hons), BCom, FGIA

Fiona joined Transurban as Company Secretary in January 2020. Fiona is an experienced corporate lawyer and governance adviser with over 20 years relevant professional experience. Prior to joining Transurban, Fiona was Company Secretary at Treasury Wine Estates, and a Senior Corporate Lawyer at National Australia Bank. Prior to her in-house roles, Fiona worked as a corporate lawyer for legal firms in Australia, Asia and the United Kingdom.

Julie Galligan

LLB, BA

Julie joined Transurban in November 2008 and was appointed as Group General Counsel in February 2012. Julie has over 20 years of legal experience in private practice and in-house roles in both Australia and the United Kingdom. Prior to joining Transurban, Julie worked in-house at Associated British Ports and at law firms, SJ Berwin LLP and MinterEllison.

Directors' meeting attendance

The Boards of THL, TIML and TIL have common Directors and meetings are held concurrently. The number of meetings of the Board and each Board Committee held during FY21, and the number of meetings attended by each Director, are set out below.

	Board of Directors		Audit and Risk Committee[1]		Remuneration, People and Culture Committee[2]		Nomination Committee[3]		Board Sub-Committee[4]	
	Attended	Held**	Attended	Held**	Attended	Held**	Attended	Held**	Attended	Held**
Lindsay Maxsted (Chairman)	15	15	6	#	9	#	3	3	5	5
Scott Charlton (CEO)	15	15	6	#	9	#	3	#	5	5
Mark Birrell	15	15	6	6	6	#	3	3	–	#
Terence Bowen[5]	15	15	6	6	5	#	3	3	–	#
Neil Chatfield	15	15	6	6	9	9	3	3	–	#
Samantha Mostyn	15	15	5	#	9	9	3	3	–	#
Timothy Reed[6]	9	9	4	#	4	#	2	2	–	#
Peter Scott	15	15	6	6	7	#	3	3	–	#
Robert Whitfield[6]	9	9	3	#	4	#	2	2	–	#
Jane Wilson	14[7]	15	6	#	9	9	3	3	–	#
Christine O'Reilly[8]	4	4	2	2	2	#	1	1	1	1

 # Not a member of the relevant Committee during FY21. Details of current Committee membership are set out on pages 72 and 73

*** Number of meetings held during the year at which the Director was eligible to attend*

1 L Maxsted, S Charlton, S Mostyn, T Reed, R Whitfield and J Wilson were not members of the Audit and Risk Committee during the year, but attended meetings as observers

2 L Maxsted, S Charlton, M Birrell, T Bowen, T Reed, P Scott, R Whitfield and C O'Reilly were not members of the Remuneration, People and Culture Committee during the year, but attended meetings as observers. S Charlton was excluded from discussions involving his remuneration during meetings that he attended

3 S Charlton was not a member of the Nomination Committee but attended meetings as an observer during the year

4 A number of Board sub-committees were formed during the year for special purposes

5 T Bowen was appointed a member of the Audit and Risk Committee effective 1 September 2020

6 T Reed and R Whitfield were appointed to the Board on 1 November 2020

7 Reflects an unscheduled Board meeting where J Wilson was only able to attend in part due to a prior board commitment and accordingly has not been included as an attendance

8 C O'Reilly retired from the Board on 8 October 2020

Distributions

The Board determined a distribution of 21.5 cents per stapled security for the six months ended 30 June 2021 with a payment date of 23 August 2021. This takes the total distribution for FY21 to 36.5 cents per stapled security, of which 1.0 cent will be fully franked. Further details of FY21 distributions are provided in note B10 to the Financial Statements.

Significant changes in the state of affairs

The financial position and performance of the Group was particularly affected by the following transactions during the reporting period:

- Impact of COVID-19 government mandated restrictions on movement
- Sale of 50% interest in Transurban Chesapeake.

Further information is provided in note B2 on page 118 to the Financial Statements.

Events subsequent to the end of the financial year

Traffic in each of Transurban's markets continues to be sensitive to government responses to COVID-19, as observed subsequent to 30 June 2021 with restrictions reimposed in Sydney, Melbourne and Brisbane. Other than this, there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or Group's state of affairs, in the future years.

Indemnification and insurance of Directors and officers

The Constitutions of the Group provide that the Group will indemnify each officer (including each Director) of the Group, on a full indemnity basis and to the extent permitted by law, against any liabilities incurred by them in their capacity as an officer of any member of the Group. Each officer is also indemnified against reasonable costs (whether legal or otherwise) incurred in relation to relevant proceedings in which the officer is involved because the officer is or was an officer.

The Group has entered into Deeds of Indemnity, Insurance and Access ('Deed') with each of its Directors and officers of the Group.

The Group has arranged to pay a premium for a Director's and officer's liability insurance policy to indemnify Directors and officers in accordance with the terms and conditions of the policy. This policy is subject to a confidentiality clause which prohibits disclosure of the nature of the liability covered, the name of the insurer, the limit of liability and the premium paid for this policy.

During FY21 and as at the date of this Directors' Report, no indemnity in favour of a current or former Director or officer of the Group or in favour of PwC, the external auditor, has been called on.

Environmental regulation

The Group's operations are subject to environmental regulation under both Commonwealth and State legislation. The Group is committed to achieving a high standard of environmental performance. The Sustainability strategy—available on our website **transurban.com**—outlines our objectives, while our Risk Management processes provide regular monitoring of environmental exposure and compliance with environmental regulations.

Based on the results of enquiries made, the Board is not aware of any significant breaches during the reporting period.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company, nor any application made under section 237 of the *Corporations Act 2001*.

Non-audit services and auditor independence

PwC continues in office as the Group's external auditor in accordance with section 327 of the *Corporations Act 2001*. The Group has an External Auditor Independence policy that is intended to support the independence of the external auditor by regulating the provision of services by the external auditor. The external auditor will not be engaged to perform any service that may impair or be perceived to impair the external auditor's judgment or independence.

The Board has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services during the reporting period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by PwC did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- The Audit and Risk Committee reviewed the non-audit services to ensure they did not impact the impartiality and objectivity of the auditor.
- None of the services undermined the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Details of the amounts paid for non-audit services is provided in note B34 to the Financial Statements on page 180.

The Group's external auditor, PwC, has provided an independence declaration in accordance with section 307C of the *Corporations Act 2001*, which is set out on page 109 and forms part of this Directors' Report.

Rounding of amounts

The Group has applied the Australian Securities and Investments Commission ('ASIC') Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191 to this report, and amounts in the Financial Statements have been rounded to the nearest million dollars, unless stated otherwise.

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors:

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
9 August 2021

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Remuneration report

This Remuneration Report forms part of the Directors' Report commencing on page 82.

Introduction from the Chair of the Remuneration, People and Culture Committee

Dear security holder

On behalf of the Board, I am pleased to present Transurban's Remuneration Report for the year ended 30 June 2021. This report covers Transurban's approach to remuneration for its senior executives, in particular the link between performance and reward and the remuneration outcomes for senior executives.

As for many organisations and most people, FY21 was another challenging year. The ongoing and unpredictable nature of the COVID-19 pandemic has required us all to continue to monitor changing local conditions and to adapt and adjust accordingly.

During this complex time, Transurban was able to continue to progress its strategic initiatives whilst remaining conscious of our commitments to all stakeholders. The Group worked particularly hard to support those who were most vulnerable.

For our customers, this meant providing practical support by expanding both our social and financial programs. Some examples of this included providing $10.1 million in tolling credits since April 2020 to more than 41,000 customers who were struggling to meet their financial obligations or working on the frontline. In January 2021, the Group evolved its toll credit program to offer ongoing toll credit support to essential travel through Linkt Assist. Linkt Assist support services were also extended to small business customers in a permanent move that acknowledged the vital role they play in our community. Small business customers going through difficult times can now also access toll credits, along with extended payment terms, fee waivers and deferred account suspension.

From July 2020 to May 2021, the USA team processed 30,610 fee reductions for our customers, with an average invoice value of USD83, and in Canada, several customer initiatives were implemented to assist customers with approximately CAD1.2 million in tolls or fees credited.

In the early days of the pandemic, Transurban made a clear commitment to retain its workforce and maintain a focus on employee health, safety and wellbeing. This has continued through FY21, underpinned by:

- the well-established flexible work policies, practices and technology
- support for teams to transition back into the workplace in line with local government guidelines and directives
- the Belonging and Wellbeing program including focus on physical and mental health, wellbeing and resilience
- periodic employee pulse surveys conducted to ensure appropriate support was being provided.

Economies around the world continue to experience uncertainty due to the pandemic. At the time of publishing this report all Australian mainland states were experiencing some form of community restrictions, with Greater Sydney most significantly impacted.

Nevertheless, economic recovery efforts are underway with investment in major infrastructure projects already resulting in increased demand for key talent within certain workforce segments. These labour market pressures are compounded by ongoing international border and intermittent domestic border closures, with similar conditions also being experienced in North America. As a result, retaining and motivating existing talent along with the ability to successfully attract new talent remains a high priority for the Group.

Following the announcement in FY20 of changes to the Executive Committee to position Transurban for future growth, successful global searches have since resulted in the appointment of three new Executive Committee members, enhancing key capabilities and succession planning for the Group.

This past year has also seen public attention focus on issues of equality both in Australia and in North America. In Australia, this has centered around gender equality and workplace sexual harassment, while in North America the issue of racial equality has been at the forefront. Despite the pressures of the pandemic, Transurban executives remained committed to a culture of inclusion and equality in FY21 through direct employee communications from the CEO on the topic of workplace behaviour as well as supporting the Diversity Council of Australia's #IStandForRespect campaign. The Executive Committee has also maintained an equal gender mix.

In the early days of the pandemic, Transurban made a clear commitment to retain its workforce and maintain a focus on employee health, safety and wellbeing

In addition, and consistent with Transurban's long held recognition of the strategic value of a diverse workforce and inclusive workplace, a review of the Group's Diversity and Inclusion portfolio was undertaken during FY21. This resulted in a refreshed policy and suite of objectives which we believe effectively reflect the intent and commitment of the Group.

During FY21, a detailed review of Transurban's remuneration framework was also undertaken with advice sought from the Committee's independent external remuneration advisor. The Board remains committed to an executive remuneration framework designed to attract, motivate and retain the best talent with capabilities that enable our competitive value proposition. The review ensures the framework continues to support the delivery of the business strategy, as well as strengthening the alignment of short-term results and long-term value creation with reward outcomes for senior executives. Enhancements to the framework were identified and will be implemented effective 1 July 2021. In summary, these include:

- change of the peer group for senior executive and Non-executive Director remuneration benchmarking from ASX 10 to 30 companies to ASX 1 to 30 companies
- enhancements to the Short Term Incentive (STI) framework to better align STI outcomes to Group performance and the outcomes for our stakeholders
- increased Board discretion referencing additional non-financial measures in determining the final Group STI pool
- extension of the Long Term Incentive (LTI) performance period from three years to four years.

The Board believes that these enhancements will further strengthen the alignment of executive and stakeholder interests.

Alignment between performance and remuneration

Our focus as a Board is on balancing the delivery of returns to investors with long-term sustainable business performance. The Board has discretion over all remuneration outcomes for Key Management Personnel (KMP), including the vesting of equity awards and assesses performance against each remuneration element. Where there are additional contributory factors, these are considered and may result in the exercise of Board discretion for the benefit or the detriment of executives.

Key business achievements in FY21

- Continued to execute strategic initiatives and create long term value for security holders:
  - The sale of Transurban Chesapeake assets introduced three strategically aligned partners to support future growth, and realised significant value for security holders with a statutory gain after tax of $3,726 million
  - The opening of WestConnex M8 and NorthConnex, and commencement of tolling on the M5 East in Sydney, with these roads performing better than pre-COVID investment case expectations in FY21
  - Progressed the major project delivery pipeline including the WestConnex M4-M5 Link, Fredericksburg Extension and 495 Express Lanes Northern Extension. Transurban was unsuccessful in its bid for the Elizabeth River Crossing in North America, demonstrating discipline in capital allocation
  - Selected as preferred developer for Phase 1 of the Maryland Express Lanes Project, commencing our first collaboration with the Maryland Department of Transportation
- Expanded customer support for those experiencing social and financial hardship and granted toll credits to frontline workers and customers impacted by COVID-19
- Maintained a strong balance sheet, successfully raising $10,200 million of debt
- Delivered investor returns as a result of asset quality and diversification, and effective cost and balance sheet management
  - Total Shareholder Return (TSR) of 3.4% including FY21 distributions totalling 36.5 cents per stapled security
  - Delivered Proportional EBITDA of $1,836 million (excluding significant items) and 1.3% underlying cost growth (excluding new assets)
- Continued to progress our Environmental, Social and Governance (ESG) focus areas and to be recognised as an ESG leader in the industry.

Remuneration Incentive outcomes in FY21

In determining the remuneration outcomes for the Executive KMP, the Board took into consideration business progress and achievements against FY21 strategic priorities, performance of management as well as market conditions. In addition, remuneration for executives in joint venture operations is reviewed with our investment partners.

The FY21 remuneration outcomes are outlined below and fairly reflect the performance of Transurban in the current context.

Fixed Remuneration

A remuneration review was conducted for FY21 with a small adjustment made to the fixed remuneration of one Executive KMP.

Chairman and Non-executive Director fees have not increased since 1 January 2018.

Short Term Incentive

FY21 Financial Performance (actuals and % to target)

The overall Group financial and HSE outcomes, which account for 50% of the overall STI outcome were:

- Proportional EBITDA of $1,886 million (excludes significant items and specific major development and legal project spend; refer to FY21 Group measures outcomes table), resulting in an outcome of 129.9%
- Proportional Net Costs of $483 million (excludes additional items; refer to FY21 Group measures outcomes table), resulting in an outcome of 150.0%
- HSE of 108.2% of target.

In setting the STI targets for FY21, the Board extensively examined the annual budget assumptions and tested these against the background of COVID based market disruption and management's ability to mitigate against such disruption. Accordingly, targets on both a Group and individual basis were set to challenge management to deliver high performance, irrespective of disruptions.

In turn, when reviewing the actual results, recognising the challenges in setting FY21 budgets and performance targets during the pandemic, the Board has scrutinised the drivers and quality of the results.

Whilst there were pandemic-related revenue and cost impacts to the Group's performance, disciplined investment and cost management contributed to delivering a balanced financial result, summarised as follows:

- Successful sale of 50% of Transurban Chesapeake in North America, a value accretive transaction, the benefits of which were not accounted for in the STI outcome
- Revenue performance impacted by COVID-19 but assisted by asset diversification and new assets coming online, with Sydney and Brisbane roads performing well given limited government-imposed restrictions in those markets
- Continued investment in the business, with cost increases driven by new assets and strategic growth projects. Like-for-like costs actively managed, including through enhanced customer account management, resource planning adjustments and management of discretionary spend, resulting in lower costs than in the prior year
- Security holder distributions lower than FY20 due to the impact of COVID-19, and the Board's decision to exclude Capital Releases from distributions and use that funding for growth projects.

Executive STI outcomes

Having taken all of the factors that contributed both beneficially as well as adversely to the Group's results, the Board determined that the overall result for the CEO and Executive KMP should be somewhat less than the above percentages driven by Proportional EBITDA and Net Costs. This was notwithstanding that each of the CEO and Executive KMP was assessed as having performed at levels which met or exceeded expectations.

As a result:

- The CEO received a total STI outcome of 117.0% of target opportunity (FY20 50.0%)
- Other Executive KMP received between 93.0% and 117.0% of target opportunity (FY20 between 60.1% and 92.1%).

Long Term Incentive

During FY21, the FY18 LTI plan vested and grants were made under the FY21 LTI plan.

Vesting outlook for FY19 plan

The FY19 LTI plan (performance period 1 July 2018 to 30 June 2021) is scheduled to vest in August 2021 (after the date of this report). Reduced traffic and toll revenue across all regions due to the COVID-19 pandemic have significantly impacted the FCF component of this plan, with calculations indicating that 42.8% of awards will vest for eligible participants derived entirely from relative TSR.

FY21 LTI plan grants—single performance target

The Board considers it important that variable remuneration and performance targets align executive and security holder interests, and drive long-term sustainable value.

Prior to the economic impacts of COVID-19, performance for the Group's LTI plan was assessed against two measures, relative TSR and FCF. When making grants under the FY21 LTI plan (performance period 1 July 2020 to 30 June 2023), the Board considered the setting of performance targets for the plan in the context of the ongoing impacts of the COVID-19 pandemic.

At the time, there were significant challenges associated with predicting traffic and toll revenues as the pandemic was unfolding, and therefore being able to accurately forecast FCF for the three year performance period.

As a result, the Board decided that FCF was not a suitable measure for the FY21 LTI plan. After considering various alternatives, incorporating independent expert advice as well as feedback from various stakeholders, the Board decided to retain the relative TSR measure with the existing comparator group as a single performance measure.

FY22 LTI plan grants

Further to the Board's decision to extend the LTI performance period from three to four years commencing 1 July 2021, the Board has approved that the FY22 LTI plan (performance period 1 July 2021 to 30 June 2025) will consist of two tranches to enable this transition.

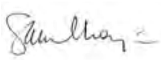
Tranche 1 (50% of awards granted) will have a three-year performance period (1 July 2021 to 30 June 2024) and Tranche 2 (50% of awards granted) will have a four-year performance period (1 July 2021 to 30 June 2025). LTI grants for subsequent plan years will revert to a single tranche of awards over the new four-year performance period.

The Board also considered the reintroduction of the FCF performance measure into the FY22 plan. Whilst FCF is well aligned with Transurban's business model, given ongoing economic uncertainty relating to COVID-19, the Board has decided to continue to test performance relative to TSR hurdles only, with no FCF hurdles applying to the FY22 LTI Plan. This will be revisited for the FY23 LTI Plan.

In closing, and as this is my last report before retiring from the Board, I reflect on the significant maturity of Transurban's people and culture priorities and commitments.

It is rewarding to see the progress that has been made by the company in its pursuit of equality and inclusion and appropriate remuneration and development practices that underpin the retention and attraction of the best people.

It has been a privilege to work with the values-based team at Transurban and ensure consistency with expectations of you, our security holders.



Samantha Mostyn
Chair, Remuneration, People and Culture Committee

This report has been prepared and audited in accordance with section 300A of the Corporations Act 2001 (Corporations Act)

The Board considers it important that variable remuneration and performance targets align executive and security holder interests, and drive long-term sustainable value

Who is covered by the Report

This report covers the KMP of Transurban who have the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. This includes both Executive KMP as well as Non-executive Directors.

The Group's KMP during FY21 were as follows. All KMP held their positions for the duration of FY21 unless otherwise stated.

Current Non-executive Directors

Lindsay Maxsted, Chair

Mark Birrell

Terence Bowen

Neil Chatfield

Samantha Mostyn

Timothy Reed (from 1 November 2020)

Peter Scott

Robert Whitfield (from 1 November 2020)

Jane Wilson

Former Non-executive Directors

Christine O'Reilly (until 8 October 2020)

Current Executive KMP

Executive Director and Chief Executive Officer (CEO)
Scott Charlton

Chief Financial Officer
Michelle Jablko (from 29 March 2021)

Group Executive Customer and Technology
Simon Moorfield (from 5 October 2020)

Group Executive New South Wales
Michele Huey

Group Executive Partners, Delivery and Risk
Hugh Wehby (from 19 October 2020)

Group Executive Queensland
Sue Johnson

Group Executive Victoria, Strategy and Corporate Affairs (until 28 March 2021), Group Executive Victoria and Strategy (from 29 March 2021)
Henry Byrne

Former Executive KMP

Chief Financial Officer
Adam Watson (until 13 November 2020)

President North America
Jennifer Aument (until 14 February 2021)

Non-executive Directors commencing in FY22

Patricia Cross (from 1 July 2021)

Craig Drummond (from 1 July 2021)

Marina Go (from 1 December 2021)

Non-executive Directors retiring in FY22

Neil Chatfield (until 21 October 2021)

Samantha Mostyn (until 21 October 2021)

Our remuneration governance framework at a glance

Board

Sets and oversees the implementation of the Remuneration Policy.

Remuneration, People and Culture Committee

Assists the Board in fulfilling its responsibilities in relation to remuneration, people and culture policies and practices.

The Committee is responsible for reviewing, and where appropriate making recommendations to the Board on:

- remuneration of Non-executive KMP
- remuneration for the CEO and other senior executives
- remuneration budgets for all employees
- remuneration strategies, policies, practices, and disclosures generally, in relation to the context of the remuneration framework.

The Committee comprises Non-executive Directors, all of whom are independent. The current members are Samantha Mostyn (Chair), Neil Chatfield (Chair of the Audit and Risk Committee), and Jane Wilson. Further details regarding the Committee are set on page 84. As a matter of practice, the Chair of the Board (Lindsay Maxsted) also attends the Committee meetings.

Committee papers are provided to all members prior to meetings to enable timely, considered and effective decision making.

The Committee may request additional information from management or external advisors where required.

The Committee uses a range of inputs when assessing performance and outcomes of Executive KMP, including both what and how results have been achieved. Detailed performance assessments as well as audited financial results, external remuneration benchmarking and an overarching view to the organisation's values and risk profile are taken into account. The Committee and the Board review relevant information and exercise discretion, and may adjust proposed remuneration outcomes, including application of malus and clawback.

External Advisors

The Committee may seek and consider advice from independent remuneration consultants where appropriate.

Any advice from consultants is used to guide the Committee and the Board, but does not serve as a substitute for thorough consideration by Non-executive Directors.

Protocols are in place for the independent engagement of remuneration consultants and the provision of remuneration recommendations.

During FY21, remuneration consultants provided benchmark data and insights on market practices only to the Committee. No remuneration recommendations relating to KMP were provided by consultants.

Management

Provide management information on financial, customer and risk matters which may impact remuneration.

Where appropriate, the CEO and the Group Executive, People and Culture attend Committee meetings, however they do not participate in formal decision making or in discussions involving their own remuneration.

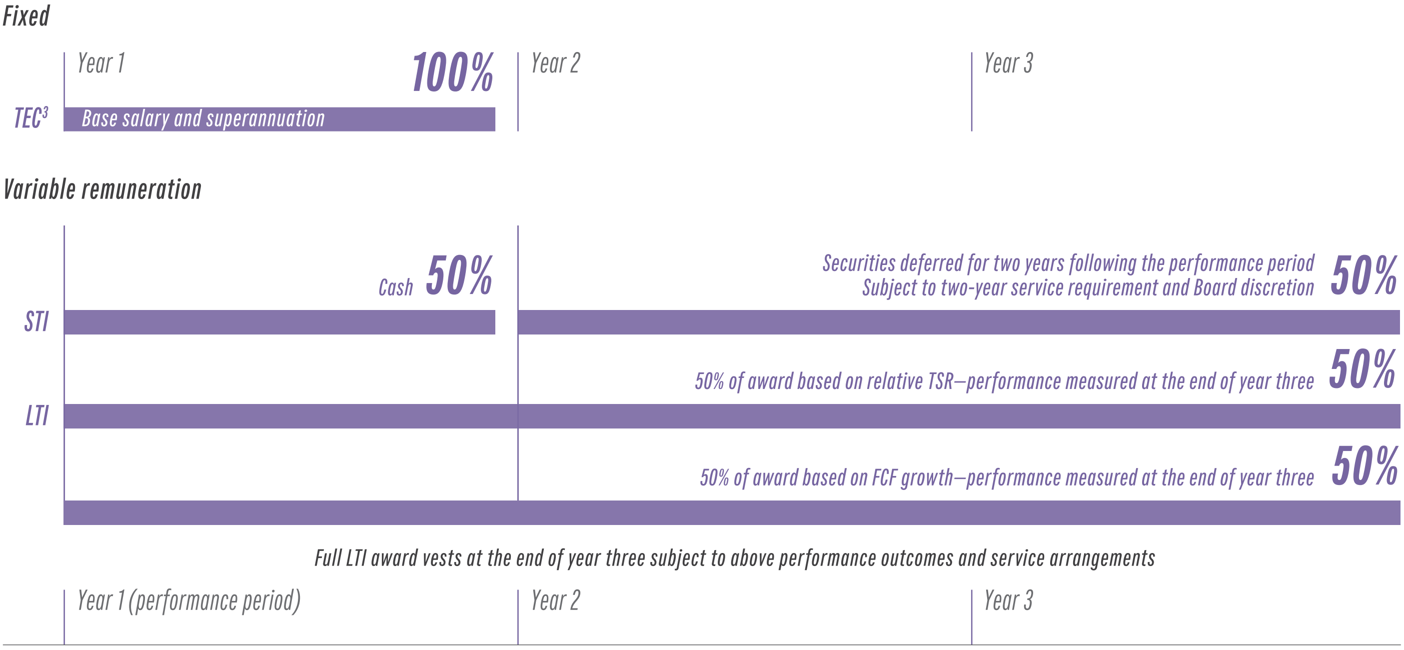
Our executive remuneration strategy

At Transurban, our remuneration strategy is designed to support and reinforce our business strategy, including sustainable long-term growth. The remuneration components that are at risk require the successful execution of that strategy in both the short and long term. Our strategic drivers are reflected in our STI and LTI performance measures so that business performance, security holder outcomes and senior executive remuneration are directly aligned.

Our purpose	To strengthen communities through transport			
Our strategy	Provide sustainable transport solutions that offer choice, reliability, safety, transparency and value			
Our focus areas	Stakeholder engagement	Optimal networks	Delivery and operations	Disciplined investment
Remuneration strategy	A total remuneration framework designed to attract, motivate and retain the most skilled, experienced and capable senior executives by rewarding them for delivering on our business strategy and creating long-term, sustainable value for stakeholders			
Remuneration principles	Aligns the interests of our people with stakeholders, particularly security holders and partners, and importantly considers the impact on the community	Attracts, motivates and retains the best talent with capabilities that enable our competitive value proposition	Balances financial and non-financial performance which aligns to our purpose, values and risk appetite	Pays fairly and appropriately for operational performance and long-term value creation

	Fixed remuneration	Short Term Incentive (STI)	Long Term Incentive (LTI)
Remuneration components (and delivery mechanisms)	**Fixed remuneration**	**Short Term Incentive (STI)** Target performance defined by a combination of individual and group KPIs has the potential to achieve a 100% outcome. Opportunity for outperformance exists	**Long Term Incentive (LTI)** Long-term business performance measures determine opportunity for vesting of security grants
	Salary including statutory superannuation	**STI delivery mechanism** Annual incentive awarded 50% in cash and 50% as two-year deferred Transurban securities	**LTI delivery mechanism** Annual award granted as three-year performance awards (i.e. rights) for the FY21 Plan. A transition to a four year performance period will commence for the FY22 Plan
Purpose	*To provide market competitive remuneration to attract and retain the best talent in Australia and internationally for Transurban's current and future priorities, taking into consideration roles and experience*	***Current year performance*** *Designed as a lever to deliver our strategic and operational priorities, with a level of outperformance that reflects our values and supports our purpose* *Rewards for strong collective and individual contributions to overall performance of Transurban and where deferral applies provides an additional retention incentive and enables clawback optionality*	***Long-term sustainable performance*** *Designed to focus on the achievement of sustainable longer-term value creation; the performance period better reflects security holder expectations and enables the application of malus and clawback*
Link to performance	*Individual key role accountabilities, responsible for delivering on local priorities aligned to the business strategy*	*Provides for differentiation of pay based on both individual contribution and overall business performance*	*Motivates the consideration of longer-term implications of present-day decisions*
Performance measures	*Key role accountabilities, size and complexity weighed up against individual responsibilities, knowledge, skills and experience*	***Financial*** ***Proportional EBITDA*** *(20%),* ***Proportional Net Costs*** *(20%)* ***Non-Financial*** ***Individual KPIs*** *(50%)* ***Health, Safety and Environment*** *(10%)*	***Relative Total Shareholder Return*** *(TSR) (50%)* ***Free Cash Flow*** *(FCF) per security growth rate (50%)* *The FY21 Plan (with the performance period 1 July 2020 to 30 June 2023) has Relative TSR as a single performance measure*
Performance targets/ hurdles	*Measures are clearly aligned to security holder returns and value creation*	*Measures are clearly aligned to security holder returns and value creation*	***Relative TSR:*** *Board review of companies included in comparator group* ***FCF:*** *budget-setting process, plus Board considerations as to quantifiable risks and opportunities*
Further alignment to security holders	Minimum security holding requirements for Group CEO and KMP (equal in value to fixed remuneration excluding superannuation; five-year period to accumulate)	STI deferral into securities	Measures are clearly aligned to security holder returns and value creation
Governance	The Board holds discretion with regard to the setting of targets and hurdles, as well as decisions regarding performance and remuneration outcomes; this includes taking into account any relevant significant items	Strict protocols are in place for engaging independent remuneration consultants and advisors	

Overview of executive remuneration framework[1,2]



Executive KMP remuneration

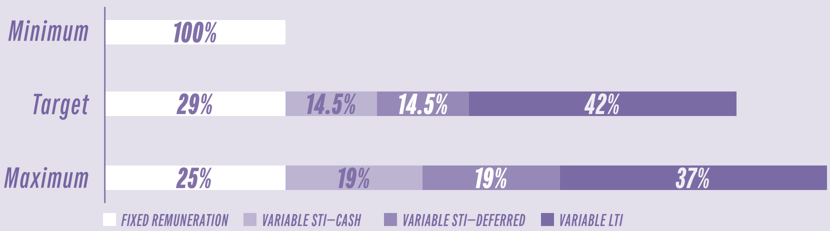
Remuneration mix

The remuneration mix is designed to achieve a balanced reward for achievement of short-term objectives and the creation of long-term sustainable value. The amount of remuneration actually received by Executive KMP each year depends on the achievement of business and individual performance.

In FY21 fixed remuneration (TEC) was set with reference to the market median, using the ASX 10–30 companies as the primary reference (ASX 30 companies effective 1 July 2021). Remuneration packages (including TEC levels) are reviewed by the Remuneration, People and Culture Committee taking into consideration an individual's role, experience and performance, as well as relevant comparative market data provided by remuneration consultants. TEC levels are also reviewed on a change in role.

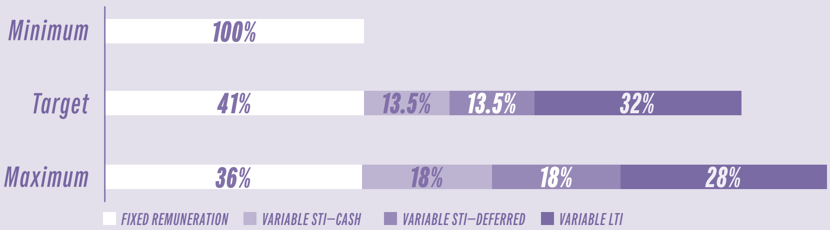
Remuneration mix for the CEO

The following diagram shows the minimum, target and maximum total remuneration opportunity for the CEO. Each component is determined as a percentage of the total remuneration package.



Remuneration mix for other Executive KMP

The following diagram shows the minimum, target and maximum total remuneration opportunity for the other Executive KMP. Each component is determined as a percentage of the total remuneration package. As the dollar opportunity is dependent on the TEC for each Executive KMP, the diagram is for illustrational purposes only. Base salary and superannuation earned by each Executive KMP is disclosed on page 107.



Minimum: *consists of TEC which is comprised of base salary and statutory superannuation*

Target: *consists of TEC, target STI (cash and deferred components) which totals 100% of TEC for the CEO and 67% of TEC for other Executive KMP and target LTI (face value of 147% of TEC for the CEO and 80% for other Executive KMP). The potential impact of future security price movements is not included in the value of deferred STI awards or LTI awards*

Maximum: *consists of TEC, maximum STI (cash and deferred components) which totals 150% of TEC for the CEO and 100.5% for other Executive KMP and maximum LTI (face value of 147% of TEC for the CEO and 80% for other Executive KMP). The potential impact of future security price movements is not included in the value of deferred STI awards or LTI awards. The maximum opportunity represented above is the most that could be awarded to Executive KMP. It does not reflect any intention to award that amount*

1 *The FY21 Plan (performance period 1 July 2020 to 30 June 2023) and the FY22 Plan (performance period 1 July 2021 to 30 June 2025) both have Relative TSR as a single performance measure*

2 *Effective FY22 the performance period will be four years with the FY22 LTI Plan being a transitional plan*

3 *Total Employment Cost—includes base salary and statutory superannuation*

Our business performance

Financial highlights for FY21

COVID-19 continued to impact the Group's financial performance in FY21, with government responses and mandatory measures to contain the virus having an impact on traffic. On a portfolio basis, the business benefitted from its diversified market position, with stronger performance in Sydney and Brisbane providing some offset to impacts in Melbourne and North America.

In addition, new assets that opened during the year in Sydney (the M8 and M5 East, and NorthConnex) made a positive contribution to traffic, revenue and EBITDA.

The Group recorded proportional toll revenue of $2,486 million for the financial year ended 30 June 2021, a decrease of 0.3% on the prior corresponding period. Proportional EBITDA excluding significant items of $1,836 million for the financial year ended 30 June 2021, a decrease of 2.8% on the prior corresponding period.

In addition, the Group recorded a statutory gain after tax of $3,726 million from the sale of Transurban Chesapeake from which net proceeds of $2,175 million was generated. This gain is not included in Proportional EBITDA or the calculation of Free Cash Flow.

Overview of Group performance

The variable (or 'at risk') remuneration of the CEO and other Executive KMP is linked to the Group's performance by using measures based on the operating performance of the business. The following table shows the Group's performance over the past five financial years including metrics used to determine components of STI and LTI awards.

Five-year performance		**FY21**	**FY20**	**FY19**	**FY18**	**FY17**
Proportional EBITDA excluding significant items	$m	1,836	1,888	2,016	1,796	1,629
Proportional Net Costs excluding significant items	$m	483	475	450	406	380
Free cash per security	Cents	46.7[5]	54.0[4]	57.1[3]	56.8	59.6[2]
Distribution paid per security	Cents	36.5	47.0	59.0	56.0	51.5
Security price at 30 June[1]	$	14.23	14.13	14.74	11.97	11.85
Market capitalisation	$b	38.96	38.65	39.43	26.63	24.32
TSR at 30 June	%	3.4	(1.0)	30.9	6.4	3.7

1 *The opening share price in FY17 was $11.99*

2 *The FY17 free cash flow of 59.6 cents per security included 8.5 cents per security relating to a capital release from NorthWestern Roads Group. Excluding this capital release, the FY17 free cash flow was 51.1 cents per security*

3 *The FY19 free cash flow of 57.1 cents per security included 4.6 cents per security relating to a capital release from the NorthWestern Roads Group and 6.7 cents per security from a capital release from Transurban Queensland. Excluding these capital releases, the FY19 free cash flow was 45.8 cents per security*

4 *The FY20 free cash flow of 54.0 cents per security included 5.9 cents per security relating to capital releases from Lane Cove Tunnel, 2.7 cents per security from North Western Roads Group, 1.9 cents per security from Hills M2 and 1.2 cents per security from Transurban Queensland. Excluding these capital releases, the FY20 free cash flow was 42.3 cents per security*

5 *The FY21 free cash flow of 46.7 cents per security included 10.1 cents per security relating to a capital release from WestConnex. Excluding this capital release, the FY21 free cash flow was 36.6 cents per security*

Further details of our Group performance are provided in the Business Performance section on pages 20 to 65.

Executive KMP remuneration outcomes

STI outcomes

STI awards are determined with reference to an assessment of performance against individual KPIs (50%) and Group performance measures (50%). When the Board and the Remuneration, People and Culture Committee consider the performance against each element, several factors are considered that may result in the exercise of Board discretion for the benefit or detriment of the executives. In assessing whether to exercise discretion for any of these factors, the Board will have regard for the interests of security holders. For example:

- prevailing external business and economic factors beyond the control of the business and which may impact performance
- unforeseen factors that may not have been known at the beginning of the performance period, but which are relevant to performance over the performance period
- whether budgetary assumptions that were made when setting performance targets remain correct and whether conditions are potentially better or worse when compared with those assumptions
- the degree of difficulty and complexity associated with achieving the targets, as related to both the internal and external environment.

Target performance, which is defined by a combination of individual and Group KPIs, provides the potential to achieve 100% of STI opportunity. KMP can achieve up to 150% of the target STI opportunity based on significant outperformance to agreed targets and measures and alignment to Group values.

Transurban's strategic priorities are cascaded, via the CEO's KPIs to other executives in combination with other functional measures. The Board assessed Group performance and the CEO's KPIs as follows (KPIs that are commercially sensitive have been excluded).

FY21 CEO Individual KPI outcomes (contributes 50% to total STI outcome)

Priority/Area/Measure	Performance
Strategy • Industry leader in Road Transport • Progression of key strategic initiatives	• Demonstrated progress against key strategic growth plans (detail not provided due to commercial in confidence) • Successful sale of 50% of Transurban Chesapeake, introducing strategically aligned partners with exclusive development rights on future growth and enhancement opportunities in the Commonwealth of Virginia, State of Maryland and Washington D.C. • Tracking ahead of targets on the Community Trust benchmark • Recognised as industry innovators at the National Intelligent Transport Systems Awards
Customer • Continuous improvement in customer offering and experience • Implementation of key customer initiatives	• Continued to evolve customer support during the COVID-19 pandemic resulting in positive customer feedback, improved community sentiment and positive media coverage • Customer satisfaction levels tracking ahead of targets • Expanded North American app to California, North Carolina, Georgia and Florida
People and leadership • Enterprise leadership • Workforce capability • Culture • Diversity and gender pay equity	• New Executive roles appointed creating an executive team fit for the next phase of business growth and maturity • Delivered a diverse range of initiatives and programs to support workforce resilience and adaptive leadership • Employee engagement increased during a difficult year with strong pride and gratitude sentiments • Maintained gender pay gap of less than 1% and achieved improvements in gender representation metrics
Finance • Leverage revenue opportunities • Disciplined cost management	• Newly opened assets outperformed traffic and revenue expectations • Effective cost management across the Group
Operations • In-flight road projects • Tolling capability • Resolve West Gate Tunnel commercial issues and progress project	• West Gate Tunnel project: environmental and planning approvals progressed. However, the continuing discussions to resolve broader commercial issues remain unresolved • Remaining in-flight projects progressing satisfactorily across all markets • Improved functionality of road assets, including tolling systems and customer experience in line with project plans • Improved road safety risk metrics
Development • Deliver Capital Works program • Pursue development opportunities across all markets	• Successfully opened road projects M8/M5 East and NorthConnex • Selected as preferred developer for Phase 1 of the Maryland Express Lanes Project • The development bid for the North American Elizabeth River Crossing was ultimately unsuccessful, reflecting a disciplined approach to capital allocation • Development pipelines continue to be identified and explored across all markets

Acknowledging the challenging conditions facing both the Australian and North American markets, the CEO has continued to progress the key strategic priorities approved by the Board for FY21. The Group has performed well during the period, demonstrating disciplined investment as well as effective cost control. This is in addition to providing practical support to both customers, with numerous initiatives for those experiencing financial hardship as well as additional support for small business customers, and the workforce, with a focus on workforce retention, flexible work arrangements and wellbeing support.

The impact of community lockdowns due to the COVID-19 pandemic has resulted in reduced traffic volumes and revenue in Victoria and North America. Positive impacts on business performance have included the completion of several key projects in New South Wales and some assets performing better than expected in Queensland and New South Wales.

There have been ongoing challenges with the West Gate Tunnel Project.

Good progress has also been made from a risk management and balance sheet perspective, priming the business for future growth and to withstand ongoing economic uncertainty. This includes the establishment of a new, strengthened executive team and completion of the notable Transurban Chesapeake transaction.

The Board has considered all of these factors in assessing the CEO's performance and, in consideration of the Group performance outcome of 133.6%, has determined an individual outcome of 100% to be appropriate such that the CEO's total STI outcome is 117%.

FY21 Group measures outcomes (contributes 50% to total STI outcome)

Measure	Target	Performance	Outcome (%)	STI Outcome (%)	Commentary
Proportional EBITDA (20%)	$1,853m	$1,886m	129.9	52.0	Excluding significant items, and specific major development and legal project spend
Proportional Net Costs (20%)	$585m	$483m	150.0	60.0	
HSE (10%) (refer below for detail)	Refer to the table below		108.2	21.6	
Overall performance/ Group outcome				**133.6**	

HSE in detail	Target	Score	Outcome (%)	STI Outcome (%)	Commentary
HSE leadership (6%)	3.50	3.19	84.5	50.7	Leader and employee accountability, participation and improvements against HSE system plans and targets
Number of Recordable Injuries—employees (1%)[1]	3	1	133.3	13.3	Number of recordable injuries (fatalities, lost time and medical treatment injuries)
Recordable Injury Frequency Rate (RIFR)—Contractors (1%)[1]	4.20	3.90	150.0	15.0	RIFR: recordable injuries (fatalities, lost time and medical treatment injuries) per million work hours.
Road Injury Crash Index (RICI) (1%)	4.50	4.29	141.8	14.2	RICI: serious road injury (requiring medical treatment or where emergency medical care is required, other than first aid) crashes per 100 million vehicle kilometres travelled
Road Safety Action Plans (1%)	Action plans in place and 94% of current year actions completed		150.0	15.0	Road Safety Plan actions implemented and actions tracking to target
Total HSE				**108.2**	

1 In the event of an employee or contractor fatality, the STI outcome for the corresponding Recordable Injury metric will be zero for all Executive KMP and STI eligible employees

The STI performance outcomes and awards for the CEO and Executive KMP are detailed in the following table:

	STI Outcome[7] (%)			
	Individual KPIs	**Total[8]**	**STI awarded[9] ($)**	**STI forfeited (%)**
Current Executive KMP				
S Charlton	100	117	2,686,400	–
H Byrne	90	105	510,620	–
M Huey	100	117	567,350	–
M Jablko[2]	80	93	233,780	7
S Johnson	100	117	569,700	–
S Moorfield[3]	80	93	392,180	7
H Wehby[4]	80	93	481,110	7
Former Executive KMP				
J Aument[5]	–	–	–	–
A Watson[6]	–	–	–	–

2 Michelle Jablko commenced employment as a KMP on 29 March 2021 and the period of reporting is from that date
3 Simon Moorfield commenced employment as a KMP on 5 October 2020 and the period of reporting is from that date
4 Hugh Wehby commenced employment as a KMP on 19 October 2020 and the period of reporting is from that date
5 Jennifer Aument resigned and departed Transurban on 21 March 2021. She ceased being a KMP on 14 February 2021 and was not awarded a STI for FY21
6 Adam Watson resigned and departed Transurban on 13 November 2020. He was not awarded a STI for FY21
7 Percentages have been rounded for presentational purposes
8 The total STI performance outcome is calculated: [Individual STI outcome % + (Individual STI outcome % x Group outcome %)] ÷ 2. The Group's outcome is 133.6%
9 50% is paid in cash and 50% is awarded in securities that are subject to a two-year restriction period following the end of the performance year. Securities will be granted in October 2021

LTI outcomes

Value of FY18 LTI plan performance awards vested and lapsed in FY21

The FY18 LTI plan performance awards, which were granted on 21 August 2017 and 23 October 2017 for the CEO and covered the performance period from 1 July 2017 to 30 June 2020, vested on 26 August 2020. The overall vesting outcome of the performance tests was as follows:

Test type	Result of test	% of units vest
TSR	Transurban ranked 8th highest out of 32 companies (77.4 percentile)	100.0%
Free Cash Flow	1.2% cumulative average annual growth rate in FCF per security over the performance period. Target range was 8% to 10% FCF growth per security	0.0%
Overall vesting		**50.0%**

Free Cash Flow measure

The target range for the FCF measure in the LTI plans takes into account forecast financial performance over the three years in which the award is measured. This three-year forecast reflects near-term FCF growth generated by the business together with planned activities that deliver value over the longer term.

The Free Cash growth per security target over the performance period of this FY18 LTI plan (1 July 2017 to 30 June 2020) achieved an outcome of 0%. This was due to the significant impact of COVID-19 pandemic restrictions during the last four months of the three year performance period.

Although the FCF component did not vest, management achievements during the performance period included:

- **Operational efficiency**—improvement in underlying proportional Group EBITDA year on year (FY18 and FY19). Reduced traffic and toll revenue across all regions due to the COVID-19 pandemic significantly impacting FY20 proportional Group EBITDA.
- **Customer experience**—improvements delivered from initiatives including:
  - improved fee arrangements for customers
  - investment in customer technology platforms
  - the launch of a new national retail brand and improved customer hardship program including the toll credit program for Australian frontline workers and customers impacted by COVID-19, with additional programs in place to support North American customers experiencing hardship.
- **Portfolio development**—disciplined investment including:
  - completion of a number of projects including the M4 Tunnels in Sydney, the CityLink Tulla Widening project in Melbourne, Logan Enhancement, Gateway Upgrade North and Inner City Bypass projects in Brisbane and the 395 Express Lanes in the Greater Washington Area
  - new projects including the Fredericksburg Extension in the Greater Washington Area and the West Gate Tunnel Project in Melbourne.
- **Funding**—balanced mix of debt and equity to support the development pipeline while maintaining strong investment grade credit metrics including:
  - $28.9 billion in debt funding raised or refinanced reducing the average tenor of debt by 1.1 years and reducing the average cost of debt by 45 basis points
  - $7.5 billion of equity raised through two entitlement offers, an institutional placement and a security purchase plan to respectively fund the construction of the West Gate Tunnel Project, the acquisition of WestConnex and the remaining M5 West equity interest, with securities issued at an average discount of 7.2% to the Theoretical Ex Rights Price.

Value of FY19 LTI plan performance awards to vest and lapse in FY22

The FY19 LTI plan (1 July 2018 to 30 June 2021) is scheduled to vest in August 2021. Reduced traffic and toll revenue across all regions due to the COVID-19 pandemic have significantly impacted the FCF component of this plan, with calculations indicating that 42.8% of awards will vest for eligible participants derived entirely from relative TSR. The Board will conduct a detailed review of all contributing factors when finalising this outcome, which will be included in next year's Remuneration Report.

LTI grants

Performance awards granted in FY21

The Board considered the setting of performance targets for the FY21 LTI plan (1 July 2020 to 30 June 2023) in the context of the ongoing impacts of the COVID-19 pandemic. There were significant challenges associated with predicting traffic and toll revenues, and therefore accurately forecasting FCF for the three year period.

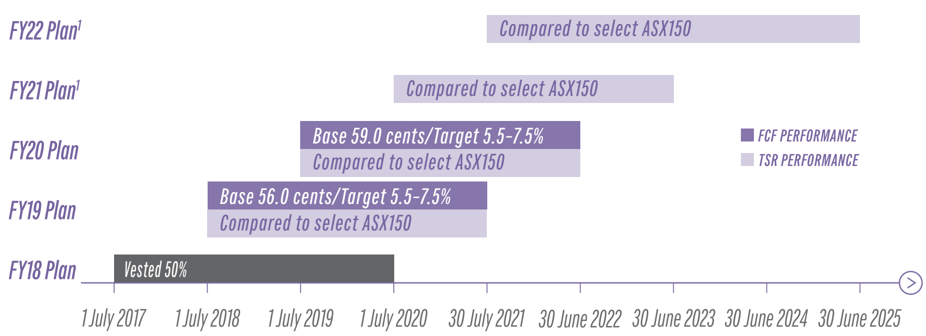
As a result, the Board decided that FCF was not a suitable measure for the FY21 LTI Plan. After considering various alternatives, incorporating independent expert advice as well as feedback from various stakeholders, a decision was made by the Board to retain the relative TSR measure with the existing comparator group as a single performance measure.

Looking ahead—performance awards to be granted in FY22

The Board approved to extend the performance period from three years to four years for LTI plans commencing 1 July 2021. The Board has also approved that the FY22 LTI plan (performance period 1 July 2021 to 30 June 2025) will consist of two tranches to enable this transition. Tranche 1 (50% of awards granted) will have a three-year performance period (1 July 2021 to 30 June 2024) and Tranche 2 (50% of awards granted) will have a four-year performance period (1 July 2021 to 30 June 2025).

Given ongoing economic uncertainty relating to COVID-19, the Board has decided to continue to test performance relative to TSR hurdles only, with no FCF hurdles applying to the FY22 LTI Plan. This will be revisited for the FY23 LTI Plan.

Figure 23: Current on-foot LTI plans and associated performance parameters

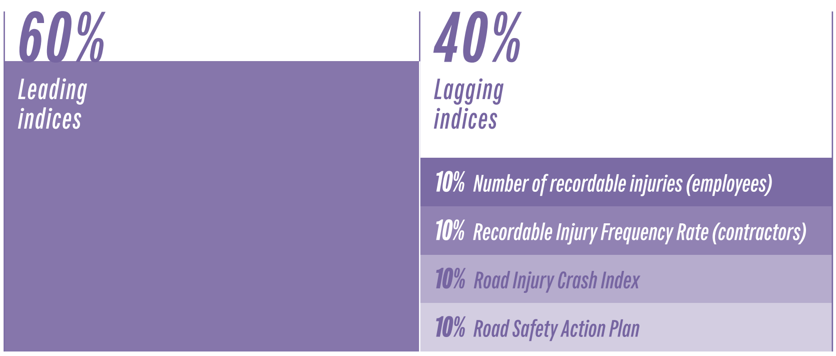


1 Single performance measure of Relative TSR for the FY21 and FY22 plans

How variable remuneration is structured

Short Term Incentive (STI)—how does it work?

Description	Eligible permanent Group employees, including the CEO and other Executive KMP, participate in the annual STI plan, which puts a proportion of remuneration 'at risk' subject to meeting specific pre-determined Group and individual performance measures linked to Group objectives.
Performance period	The performance period is the financial year preceding the payment date.
Opportunity	For 'at-target' performance, the CEO has the opportunity to receive 100% of TEC and all other Executive KMP have the opportunity to receive 67% of TEC. The minimum STI outcome is 0% (if targets are not met) and the maximum is capped at 150% of the STI opportunity, which is only awarded for exceptional performance.
Payment and deferral	STI awards for the CEO and other Executive KMP are delivered 50% in cash and 50% is deferred into Transurban stapled securities for two years following the performance year. The deferred securities are subject to service conditions and participate in dividends and/or distributions paid during the deferral period. The number of deferred securities allocated is determined by dividing the amount to be deferred by a 10 day Volume Weighted Average Price (VWAP) of Transurban securities over the 10 business days immediately preceding the STI deferred plan offer.
Annual pool	The Board determines the total STI pool to be distributed. The total pool will not exceed 125% of the aggregate STI target opportunity for all participants. The pool is awarded on individual performance and Group performance in accordance with the following formula: (Individual STI outcome % + [Individual STI outcome % x Group outcome %]) ÷ 2. This approach is designed such that higher performing employees receive a greater portion of the Group STI outcome than those who do not perform as well.
Performance measures	Individual measures (KPIs) (50%): are unique to the individual's area of accountability. Individuals have a clear line of sight to KPIs and are able to directly affect outcomes through their own actions. Group measures (50%) comprise the following three components: • Proportional EBITDA[1] (20%): is one of the primary measures the Board uses to assess the operating performance of the Group. It reflects the contribution from individual assets to the Group's operating performance and focuses on elements of the result that management can influence to drive improvements in short term earnings. This measure provides a better reflection of the performance of the Group's assets than statutory EBITDA. • Proportional Net Costs[2] (20%): reflects management's ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and free cash flow and ultimately security holder value. • Health Safety and Environment (HSE) (10%): measures focus on improving the Group's HSE culture and reducing workplace injuries for employees and contractors, as well as customer safety. The HSE measure is a combination of a lead indicator and four lag indicators. The following diagram illustrates the performance measures within the lag indicators. The Leading (leadership) KPI requires the submission of HSE reports and includes proactive HSE observations, HSE meetings and actions to reduce HSE risks. Employees are assessed against a five-scale rating according to their KPI. This result is then aggregated across the Group and averaged to provide the Group score. This is then benchmarked against the annual target. The Lagging KPIs focus on recordable incidents, planning and tracking, including injury rates, crash rates and road safety action planning.



1 Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions. Proportional EBITDA figures used to assess performance are included in note B4 of the audited financial statements

2 Proportional Net Costs is the aggregation of total costs less fee and other revenues from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions

Targets	**Financials (proportional EBITDA and proportional Net Costs)** The Board utilises the annual budget as the primary input to determine appropriate stretch financial targets. When approving the budget, the Board reviews the core principles and assumptions underpinning the budget. Specifically for proportional EBITDA, the budget incorporates base business growth derived from network-wide traffic performance, price growth and impacts of inflation and adjusts for events such as construction and project completion and the impact of acquisitions. Directly controllable initiatives including road safety, lane availability, operational efficiencies and the impact of development activity are also incorporated. Once the budget has been finalised, the Board determines the STI targets. In order to ensure that sufficient stretch is incorporated, consideration is given to the quantifiable risks and opportunities that can influence the Group's financial performance. In some instances, the Board may deem it appropriate to exclude significant items. The targets use a constant currency for operations within North America.
	HSE The Board reviews HSE targets each year with a view to continuously improving the HSE culture and performance of the Group.
	Individual KPIs Individual targets as set out in KPIs include consideration as to role-related accountabilities and responsibilities in the context of business strategic priorities. Executive KPIs consist of similar categories to those of the CEO (as disclosed on page 95) of this report) and reflect the individual's role and areas of responsibility.
Vesting	The Board assesses performance against Group measures and the results of key elements are independently validated. The Board confirms final outcomes for individual and Group performance and has discretion to adjust the performance conditions and outcomes. These methods for assessing performance are used because they provide the Board with discretion as to assessment of conditions and outcomes, with the use of an independent overlay where considered appropriate.
Cessation of employment	If employment ceases before performance is assessed, generally there is no entitlement to receive any STI award. If employment ceases due to resignation before the end of the two-year restriction period, any unvested deferred securities will lapse, unless the plan rules provide otherwise or the Board otherwise resolves.
Clawback	Grants prior to FY21: Fraudulent or dishonest behaviour will result in the forfeiture or clawback of any unvested awards. Further, at the discretion of the Board, awards are subject to forfeiture or clawback where there is a financial misstatement circumstance or the allocation of awards was made in error, on the basis of the misrepresentation or an omission, or on the basis of facts or circumstances that were later proven to be untrue or inaccurate (applicable to both STI and LTI plans). FY21 and future grants: In December 2019 Transurban adopted new Equity Incentive Plan Rules. Under the new Equity Plan Rules, in addition to the above, the Board has discretion to clawback vested securities or repay cash proceeds from the sale of vested securities. Circumstances for clawback have also been expanded to include: breach of duties or obligation to the Group, acts which have a negative impact on Transurban's reputation, vesting is not justified or supportable and the possibility of an employee who departed as a "good leaver" but then behaves inappropriately.

Long Term Incentive (LTI)—how does it work?

Description	Participation in the LTI plan is offered to the CEO and other Executive KMP and a very limited number of other employees nominated by the CEO and approved by the Board.
Instrument	Grants are made in the form of performance awards at no cost to the recipient. Each performance award is an entitlement to receive a Transurban stapled security, or at the Board's discretion, an equivalent cash payment, on terms and conditions determined by the Board, subject to the achievement of vesting conditions. Performance awards do not carry dividend, distribution or voting entitlements prior to vesting.
Performance period	The three financial years commencing on 1 July in the year the grant is made e.g. the FY21 grant has a performance period commencing 1 July 2020 and ending 30 June 2023. The FY22 plan will transition to a four year performance period.
Opportunity	The CEO's opportunity is 147% of TEC and the opportunity for all other Executive KMP is 80% of TEC. The minimum vesting outcome an individual can receive is 0% of the award (if the performance measures are not achieved) and the maximum vesting outcome an individual can receive is capped at 100% of the award (if performance measures are achieved).
Performance measures	Two performance measures are ordinarily used to determine the number of awards that will vest at the end of the performance period; relative Total Shareholder Return (TSR) against a bespoke comparator group and Free Cash Flow (FCF) (each with an equal 50% weighting). The FY21 Plan (with the performance period 1 July 2020 to 30 June 2023) has Relative TSR as a single performance measure. In July 2020, the Board decided that FCF was not a suitable measure for the FY21 plan. The COVID-19 pandemic created challenges associated with predicting traffic and toll revenues and therefore the ability to accurately forecast FCF for the FY21 plan's three year performance period. The Board decided to remove the FCF measure from this plan and retain the relative TSR measure with the existing comparator group as a single performance measure for the FY21 plan.
Targets	Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global Industry Classification standards sectors of the ASX150. The companies in this group for grants made during FY21 were: *Abacus Property Group, AGL Energy Limited, APA Group, Atlas Arteria, Aurizon Holdings Limited, AusNet Services Limited, BWP Trust, Charter Hall Group, Charter Hall Long, Charter Hall Retail, Chorus Limited, Cromwell Property Group, Dexus Property Group, Goodman Group, GPT Group, Growthpoint Properties Australia, Lendlease Group, Mirvac Group, National Storage, Qantas Airways Limited, Qube Holdings Limited, Scentre Group, Shopping Centres Australasia Property Group, Spark Infrastructure Group, Spark New Zealand Limited Stockland Corporation Limited, Sydney Airport, Telstra Corporation Limited, TPG Telecom Limited, Transurban Group, Vicinity Centres, Waypoint, Vocus Group Limited.* Changes to the comparator group in FY21 are as follows: Moved out of ASX150 and excluded: Mondadelphous Group Limited Moved into ASX150 and included: Charter Hall Long, National Storage
	FCF per security targets are set by the Board utilising the annual budget and three-year forecast as the primary inputs (consistent with the approach taken for STI measures of proportional EBITDA and proportional Net Costs). Once the budget and forecast has been finalised, the Board determines the FCF targets by analysing the cash flow outcomes, ensuring sufficient stretch is incorporated. The actual FCF outcomes are reviewed in detail against targets to consider key reasons for variance and assess whether any adjustments should be made in determining management's performance. The Board may make adjustments where a decision has been made, in the interests of the Transurban Group and its security holders that differs from the original budgeted assumptions. This may include factors such as significant equity raisings to fund growth opportunities or changes to the timing or quantum of anticipated capital releases. Factors that may cause FCF growth to fluctuate from year to year include activities that are intended to generate long-term value for the business but may negatively impact FCF growth in the near term. The Group is currently in a significant development phase with seven major projects to be delivered in Australia and North America (see page 65 for the project pipeline). The FCF calculation is included in note B10 of the audited financial statements.
Why are these performance measures used?	TSR is a relative, external, market-based performance measure against those companies with which the Group competes for capital. It provides a direct link between executive reward and security holder return. TSR measures total return on investment of a security, taking into account both capital appreciation and distributed and/or dividend income that was reinvested on a pre-tax basis. Growth in FCF per security reflects the Group's continued focus on maximising available free cash. The Group seeks to consistently grow its distributions year on year and to align security holder distributions with FCF per security.
Allocation	Face value allocation methodology (discounted for distributions and/or dividends foregone throughout the performance period). For each grant cycle, the allocation calculations are performed on 1 July of the first performance year using a valuation determined by an independent third party.

Vesting

Following the end of the performance period, the performance measures are tested and the Board assesses the LTI outcome.

TSR component

The Group uses an independent report that sets out the Group's TSR growth and that of each company in the bespoke comparator group. A VWAP of securities for the 20 trading days up to and including the testing date is used to calculate TSR.

The level of TSR growth achieved by the Group is given a percentile ranking in relation to the Group's performance compared to the performance of other companies in the comparator group (the highest-ranking company is ranked at the 100th percentile). The TSR performance is tested at the end of the three-year performance period, and this ranking determines the extent to which performance awards, subject to this component vest.

Following testing, any awards that do not vest lapse, and any awards that vest are automatically exercised into Transurban stapled securities or settled in cash at the discretion of the Board. No price is payable on exercise.

FY21 TSR vesting schedule

The TSR component of performance awards granted during FY21, will vest on a straight line basis in accordance with the following table:

The Group's relative TSR ranking in the comparator group	% of performance awards that vest
At or below the 50th percentile	Zero
Above the 50th percentile but below the 75th percentile	Straight line vesting between 50 and 100
At or above the 75th percentile	100

The method of assessing the performance measure set out above is considered to be the most appropriate for the type of performance measure used.

Cessation of employment

If employment ceases due to resignation before the performance measures are tested, generally there is no entitlement to unvested performance awards and any unvested awards will lapse, unless the plan rules provide otherwise or the Board otherwise resolves.

Clawback

Same treatment as per STI

Minimum security holding

The Board has endorsed minimum security holding guidelines for Non-executive Directors, the CEO and Executive KMP. The guidelines recommend that all KMP build and maintain a minimum security holding of Transurban stapled securities equal in value to their fixed remuneration (excluding superannuation). The minimum stapled security holding can be accumulated over a five-year period.

As at the date of this report, all KMP have either achieved and maintained their minimum security holding or, for those new to the Group, are on track to meet the five-year accumulation period.

Service Agreements

The remuneration and other terms of employment for the CEO and other Executive KMP are formalised in service agreements that have no specified term. Under these agreements, the CEO and other Executive KMP are eligible to participate in STI and LTI plans. Some other key aspects of the agreements in place for FY21 are outlined below:

	Period of notice to terminate by the Executive KMP	Period of notice to terminate by the Group[1]
CEO	6 months	12 months
Other Executive KMP	3 months	6 months
Other Executive KMP—commencing post 6 October 2020	6 months	6 months

1 *Payment in lieu of the notice period may be provided (based on the executive's fixed remuneration). The Group may also terminate at any time without notice for serious misconduct*

Non-executive Director remuneration

Remuneration policy

The following diagram sets out the key objectives of the Group's Non-executive Director remuneration policy and how they are achieved through the Group's remuneration framework:

Securing and retaining talented, qualified Directors

Director fee levels are set with regards to: the responsibilities and risks attached to the role, the time commitment and workload expected, the Director's experience and expertise, and market benchmark data.

Preserving independence and impartiality

Director remuneration consists of base (Director) fees and Committee fees. No element of Director remuneration is 'at risk' (i.e. fees are not based on the performance of the Group or individual Directors).

Aligning Director and security holder interests

Directors are encouraged to hold Transurban securities and the Board has endorsed minimum security holding guidelines for Directors.

Remuneration arrangements

Maximum aggregate remuneration

The aggregate remuneration that may be paid to Non-executive Directors in any year is capped at a level approved by security holders. Security holders at the 2016 Annual General Meeting approved the current aggregate fee pool of $3,000,000 per year (inclusive of superannuation contributions).

Non-executive Director fees

The Remuneration, People and Culture Committee regularly reviews Non-executive Director fees and such reviews include periodic benchmarking against other publicly listed entities of a similar size and complexity to Transurban.

A review of Non-executive Director fees (base Director and Committee fees) was undertaken during FY21. The Remuneration, People and Culture Committee recommended, and the Board subsequently resolved that Non-executive Director fees remain unchanged for the 2021 calendar year.

Current Director and Committee fees (per annum) are set out below:

Board fees

Chair	$600,000
Member	$205,000

Committee fees

Audit and Risk Committee	
Chair	$50,000
Member	$25,000
Remuneration, People and Culture Committee	
Chair	$45,000
Member	$20,000

There are no fees for membership of the Nomination Committee.

The Chair of the Board does not receive any additional fees for Committee responsibilities.

The Chair of each Committee only receives the Chair fee (and not a member fee).

Non-executive Directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during FY21. Non-executive Directors are also entitled to be reimbursed for all business-related expenses, including travel, as may be incurred in the discharge of their duties.

Non-executive Directors are not entitled to any retirement benefits other than statutory superannuation contributions.

Non-executive Director related party information

All Non-executive Director related party relationships are based on normal commercial arms' length terms. None of the Non-executive Directors were, or are, involved in any procurement of these products and services.

The Group is not required to make the following disclosures but for transparency reasons notes the following relationships and transactions.

Director	Related party	Services provided
S Mostyn	Samantha Mostyn is Chair and a Non-executive Director of Citigroup Pty Limited.	During FY21 Citigroup was a Joint Lead Manager on a Corporate 144A issuance and provided a new working capital debt facility, all conducted by Transurban. Citigroup also participates in a corporate working capital facility to Transurban, all on normal commercial terms.
R Whitfield	Robert Whitfield is a Non-executive Director of Commonwealth Bank of Australia (CBA).	During FY21 CBA provided a new working capital debt facility to Transurban, a new term debt facility at Cross City Tunnel and acted as Joint Lead Manager on Transurban Queensland's AMTN issuance. CBA also participates in numerous debt facilities and acts as the agent for certain debt facilities terms and provides transactional banking and banking products and services to Transurban, all on normal commercial terms.
J Wilson	Dr Jane Wilson is a Non-executive Director of Sonic Healthcare Limited.	Sonic HealthPlus (backed by Sonic Healthcare) provides employment medical services to Transurban on normal commercial terms.

Statutory tables

Dealing in securities

In accordance with the Group's Dealing in Securities Policy, employees who have equity awards under a Group equity plan may not hedge against those equity awards. In addition, Executive KMP may not hedge against entitlements that have vested but remain subject to a holding lock. Directors and employees are also prohibited from entering into margin lending arrangements using Transurban stapled securities as security.

Securities held by Executive KMP as at 30 June 2021

	Balance at start of year	Changes during year	Balance at end of year[3]
Current Executive KMP			
S Charlton[1]	1,479,012	(1,129,012)	350,000
H Byrne	8,022	26,780	34,802
M Huey	189,431	3,901	193,332
M Jablko	–	–	–
S Johnson	90,336	32,480	122,816
S Moorfield	–	–	–
H Wehby	–	–	–
Former Executive KMP[2]			
J Aument	14,013	–	N/A
A Watson	129,684	–	N/A

1 *As disclosed in Appendix 3Y documents released to the market on 13 November 2020 and 1 December 2020, the disposal of securities was part of a divorce settlement, under which Mr Charlton retained an interest in 350,000 Transurban securities*

2 *Ceased being a KMP during FY21*

3 *No Transurban securities were held nominally or held by closely related parties of Executive KMP during FY21*

LTI performance awards granted in FY21

Eligible Executive KMP received LTI performance awards with a grant date of 22 October 2020. All performance awards granted in FY21 may vest subject to a performance period from 1 July 2020 through to 30 June 2023.

The value of the grant has been estimated based on a fair value approach as at the grant date. The fair value considers the probability that the Executive KMP may not derive value from the LTI award, along with other factors, including difficulty of achieving performance hurdles and anticipated security price volatility.

The maximum LTI opportunity for each Executive KMP is the face value of the award (i.e. the value the Executive KMP would receive if all of their performance awards vested, based on Transurban's security price at the time the award was granted).

The minimum total value of the grant, if the applicable performance measures are not met, is zero.

The relevant values of the grants are as follows:

	Value of awards at allocation date	Value of awards at grant date		
Grant date	**Face value[4]**	**Relative TSR[5]**	**FCF per security[6]**	**Security price at grant date**
22 October 2020	$13.28	$6.61	NA	$14.00

4 *Security price as at 1 July 2020 (allocation date) discounted for distributions and dividends forgone throughout the three-year performance period*

5 *Fair value in accordance with AASB 2—share-based payments treatment of market conditions*

6 *The FY21 LTI grant has the one TSR performance measure*

The following table shows the number of LTI awards granted to Executive KMP during FY21.

	Number of performance awards granted	Potential value of grant yet to vest at target ($)	Maximum (face value) of potential value of grant to vest ($)
Current Executive KMP			
S Charlton[7]	254,594	1,682,866	3,564,316
H Byrne	43,675	288,692	611,450
M Huey	43,675	288,692	611,450
M Jablko[8]	134,338	1,653,178	1,739,677
S Johnson	43,856	289,888	613,984
S Moorfield[9]	61,405	476,297	861,914
H Wehby[10]	83,636	667,126	1,168,820
Former Executive KMP			
J Aument[11]	52,422	346,509	733,908
A Watson[12]	–	–	–

7 *Scott Charlton was granted 254,594 performance awards as part of his 2021 remuneration package as approved at the 2020 Annual General Meeting, under listing Rule 10.14. This grant relates to the LTI performance award for the three year period ending 20 June 2023*

8 *Michelle Jablko was allocated 134,338 performance awards on 12 April 2021 as a one-off grant in recognition of her giving up equity awards with her former employer to join Transurban. The one-off grant is subject to Michelle's continued employment with Transurban and will vest in two equal tranches of 67,169 awards on the first and second anniversary of her commencement with Transurban. Each performance award is an entitlement to receive one fully paid Transurban security on vesting*

9 *Simon Moorfield was also allocated 10,200 performance awards (included in the table above) on 26 October 2020 as a one-off grant in recognition of him giving up equity awards with his former employer to join Transurban. The one-off grant is subject to Simon's continued employment with Transurban and will vest in two equal tranches of 5,100 awards on the first and second anniversary of his commencement with Transurban. Each performance award is an entitlement to receive one fully paid Transurban security on vesting*

10 *Hugh Wehby was also allocated 17,370 performance awards (included in the table above) on 26 October 2020 as a one-off grant in recognition of him giving up equity awards with his former employer to join Transurban. The one-off grant is subject to Hugh's continued employment with Transurban and will vest in two equal tranches of 8,685 awards on the first and second anniversary of his commencement with Transurban. Each performance award is an entitlement to receive one fully paid Transurban security on vesting*

11 *Jennifer Aument was granted LTI awards during FY21 which she later forfeited upon her departure*

12 *Adam Watson resigned and departed Transurban on 13 November 2020. Adam was not granted any LTI awards in FY21*

Summary of Executive KMP allocated, vested or lapsed equity[1]

	Allocation date	Grant date	Vesting date	Balance at start of year	Granted during year	Vested in FY21[9]	% of total Vested	Lapsed/ forfeited in FY21	Balance at end of year[10]	Fair value of equity ($)[11,12]
Current Executive KMP										
S Charlton										
Performance awards	1 Jul 2017	23 Oct 2017	26 Aug 2020	309,697	–	(154,849)	50	(154,848)	–	2,476,785
Performance awards	1 Jul 2018	19 Oct 2018	Aug 2021	316,870	–	–	–	–	316,870	2,170,560
Performance awards	1 Jul 2019	17 Oct 2019	Aug 2022	257,502	–	–	–	–	257,502	2,508,069
Performance awards	1 Jul 2020	22 Oct 2020	Aug 2023	–	254,594	–	–	–	254,594	1,682,866
Total performance awards				**884,069**	**254,594**	**(154,849)**	**50**	**(154,848)**	**828,966**	
Deferred securities	30 Aug 2018	7 Aug 2018	1 Jul 2020	126,861	–	(126,861)	100	–	–	1,486,370
Deferred securities	11 Oct 2019	2 Sep 2019	Aug 2021	79,006	–	–	–	–	79,006	1,180,475
Deferred securities	15 Oct 2020	2 Sep 2020	Aug 2022	–	42,660	–	–	–	42,660	575,000
Total deferred securities				**205,867**	**42,660**	**(126,861)**	**100**	**–**	**121,666**	
H Byrne[2]										
Performance awards	1 Jul 2017	21 Aug 2017	26 Aug 2020	36,727	–	(18,364)	50	(18,363)	–	272,866
Performance awards	1 Jul 2018	22 Aug 2018	Aug 2021	42,362	–	–	–	–	42,362	314,961
Performance awards	1 Jul 2019	17 Oct 2019	Aug 2022	37,179	–	–	–	–	37,179	362,123
Performance awards	1 July 2020	22 Oct 2020	Aug 2023	–	43,675	–	–	–	43,675	288,692
Total performance awards				**116,268**	**43,675**	**(18,364)**	**50**	**(18,363)**	**123,216**	
Deferred securities	30 Aug 2018	7 Aug 2018	1 Jul 2020	14,416	–	(14,416)	100	–	–	168,895
Deferred securities	11 Oct 2019	2 Sep 2019	Aug 2021	14,954	–	–	–	–	14,954	223,430
Deferred securities	15 Oct 2020	2 Sep 2020	Aug 2022	–	10,967	–	–	–	10,967	147,810
Total deferred securities				**29,370**	**10,967**	**(14,416)**	**100**	**–**	**25,921**	
M Huey[3]										
Performance awards	1 Jul 2017	21 Aug 2017	26 Aug 2020	45,908	–	(22,954)	50	(22,954)	–	341,075
Performance awards	1 Jul 2018	22 Aug 2018	Aug 2021	48,735	–	–	–	–	48,735	362,345
Performance awards	1 Jul 2019	17 Oct 2019	Aug 2022	42,773	–	–	–	–	42,773	416,609
Performance awards	1 Jul 2020	22 Oct 2020	Aug 2023	–	43,675	–	–	–	43,675	288,692
Total performance awards				**137,416**	**43,675**	**(22,954)**	**50**	**(22,954)**	**135,183**	
Deferred securities	30 Aug 2018	7 Aug 2018	1 Jul 2020	3,901	–	(3,901)	100	–	–	45,695
Deferred securities	11 Oct 2019	2 Sep 2019	Aug 2021	9,476	–	–	–	–	9,476	141,580
Deferred securities	15 Oct 2020	2 Sep 2020	Aug 2022	–	12,570	–	–	–	12,570	169,425
Total deferred securities				**13,377**	**12,570**	**(3,901)**	**100**	**–**	**22,046**	
M Jablko[4]										
Performance awards	29 Mar 2021	12 Apr 2021	29 Mar 2022	–	67,169	–	–	–	67,169	826,589
Performance awards	29 Mar 2021	12 Apr 2021	29 Mar 2023	–	67,169	–	–	–	67,169	826,589
Total performance awards				**–**	**134,338**	**–**	**–**	**–**	**134,338**	
S Johnson										
Performance awards	1 Jul 2017	21 Aug 2017	26 Aug 2020	48,969	–	(24,485)	50	(24,484)	–	363,817
Performance awards	1 Jul 2018	22 Aug 2018	Aug 2021	52,484	–	–	–	–	52,484	390,219
Performance awards	1 Jul 2019	17 Oct 2019	Aug 2022	44,357	–	–	–	–	44,357	432,037
Performance awards	1 Jul 2020	22 Oct 2020	Aug 2023	–	43,856	–	–	–	43,856	289,888
Total performance awards				**145,810**	**43,856**	**(24,485)**	**50**	**(24,484)**	**140,697**	
Deferred securities	30 Aug 2018	7 Aug 2018	1 Jul 2020	24,727	–	(24,727)	100	–	–	289,710
Deferred securities	11 Oct 2019	2 Sep 2019	Aug 2021	15,305	–	–	–	–	15,305	228,675
Deferred securities	15 Oct 2020	2 Sep 2020	Aug 2022	–	16,657	–	–	–	16,657	224,505
Total deferred securities				**40,032**	**16,657**	**(24,727)**	**100**	**–**	**31,962**	

Footnote references appear on page 106.

Summary of Executive KMP allocated, vested or lapsed equity[1]

	Allocation date	Grant date	Vesting date	Balance at start of year	Granted during year	Vested in FY21[9]	% of total Vested	Lapsed/ forfeited in FY21	Balance at end of year[10]	Fair value of equity ($)[11,12]
Current Executive KMP										
S Moorfield[5]										
Performance awards	1 Jul 2020	22 Oct 2020	Aug 2023	–	51,205	–	–	–	51,205	338,465
Performance awards	5 Oct 2020	26 Oct 2020	5 Oct 21	–	5,100	–	–	–	5,100	68,916
Performance awards	5 Oct 2020	26 Oct 2020	5 Oct 22	–	5,100	–	–	–	5,100	68,916
Total performance awards				**–**	**61,405**	**–**	**–**	**–**	**61,405**	
H Wehby[6]										
Performance awards	19 Oct 2020	22 Oct 2020	Aug 2023	–	66,266	–	–	–	66,266	438,018
Performance awards	19 Oct 2020	26 Oct 2020	19 Oct 21	–	8,685	–	–	–	8,685	114,554
Performance awards	19 Oct 2020	26 Oct 2020	19 Oct 22	–	8,685	–	–	–	8,685	114,554
Total performance awards				**–**	**83,636**	**–**	**–**	**–**	**83,636**	
Former Executive KMP										
J Aument[7]										
Performance awards	1 Jul 2017	21 Aug 2017	26 Aug 2020	54,068	–	(27,034)	50	(27,034)	–	401,700
Performance awards	1 Jul 2018	22 Aug 2018	Aug 2021	60,941	–	–	–	(60,941)	–	453,096
Performance awards	1 Jul 2019	17 Oct 2019	Aug 2022	52,270	–	–	–	(52,270)	–	509,110
Performance awards	1 Jul 2020	22 Oct 2020	Aug 2023	–	52,422	–	–	(52,422)	–	346,509
Total performance awards				**167,279**	**52,422**	**(27,034)**	**50**	**(192,667)**	**–**	
Deferred securities	30 Aug 2018	7 Aug 2018	Aug 2020	28,414	–	(28,414)	100	–	–	332,905
Deferred securities	11 Oct 2019	2 Sep 2019	Aug 2021	25,592	–	–	–	(25,592)	–	382,350
Deferred securities	15 Oct 2020	2 Sep 2020	Aug 2022	–	19,152	–	–	(19,152)	–	258,135
Total deferred securities				**54,006**	**19,152**	**(28,414)**	**100**	**(44,744)**	**–**	
A Watson[8]										
Performance awards	1 Jul 2017	21 Aug 2017	26 Aug 2020	65,036	–	(32,518)	50	(32,518)	–	483,187
Performance awards	1 Jul 2018	22 Aug 2018	Aug 2021	67,479	–	–	–	(67,479)	–	501,706
Performance awards	1 Jul 2019	17 Oct 2019	Aug 2022	54,837	–	–	–	(54,837)	–	534,112
Total performance awards				**187,352**	**–**	**(32,518)**	**50**	**(154,834)**	**–**	
Deferred securities	30 Aug 2018	7 Aug 2018	1 Jul 2020	25,527	–	(25,527)	100	–	–	299,085
Deferred securities	11 Oct 2019	2 Sep 2019	Aug 2021	23,821	–	–	–	–	23,821	355,910
Deferred securities	15 Oct 2020	2 Sep 2020	Aug 2022	–	15,220	–	–	–	15,220	205,145
Total deferred securities				**49,348**	**15,220**	**(25,527)**	**100**	**–**	**39,021**	

1 Additional information regarding the prior year incentive awards that are on foot, can be found in the Remuneration Report of the relevant year in which the grant was made

2 STI deferred securities and performance awards granted as remuneration and vested during FY20 occurred prior to Henry Byrne becoming a member of KMP on 1 March 2020

3 Michele Huey was on parental leave for the period 18 September 2017 to 16 September 2018. Her deferred securities recognise this period of leave

4 Michelle Jablko was granted 134,338 performance awards as a one-off grant in recognition of her giving up equity awards with her former employer to join Transurban. The one-off grant is subject to Michelle's continued employment with Transurban and will vest in two equal tranches of 67,169 awards on the first and second anniversary of her commencement with Transurban. Each performance award is an entitlement to receive one fully paid Transurban security on vesting. The fair value was calculated using a Black-Scholes framework to model Transurban's security price. On the grant date, each performance award had a market value of $12.95

5 Simon Moorfield was granted 51,205 performance awards under the FY21 LTI Plan and 10,200 performance awards as a one-off grant in recognition of him giving up equity awards with his former employer to join Transurban. The one-off grant is subject to Simon's continued employment with Transurban and will vest in two equal tranches of 5,100 awards on the first and second anniversaries of his commencement with Transurban. Each performance award is an entitlement to receive one fully paid Transurban security on vesting. The fair value was calculated using a Black-Scholes framework to model Transurban's security price. On the grant date, each performance award had a market value of $14.22

6 Hugh Wehby was granted 66,266 performance awards under the FY21 LTI Plan and 17,370 performance awards as a one-off grant in recognition of him giving up deferred awards with his former employer to join Transurban. The one-off grant is subject to Hugh's continued employment with Transurban and will vest in two equal tranches of 8,685 awards on the first and second anniversaries of his commencement with Transurban. Each performance award is an entitlement to receive one fully paid Transurban security on vesting. The fair value was calculated using a Black-Scholes framework to model Transurban's security price. On the grant date, each performance award had a market value of $13.88

7 Jennifer Aument resigned and departed Transurban on 21 March 2021. In accordance with the plan rules, Jennifer forfeited her STI deferred securities and her performance awards upon her departure

8 Adam Watson resigned and departed Transurban on 13 November 2020. In accordance with the plan rules, Adam forfeited his performance awards upon his departure. The Board exercised its discretion and approved that Adam retain his deferred securities including his FY20 STI deferred award. His deferred securities will continue on foot and vest at the end of the original two-year deferred period

9 Performance awards granted in FY18 vested during FY21 at the end of the three year performance period in accordance with performance outcomes (market value at vesting was $13.48). Performance awards that vest are automatically exercised. Securities granted as FY18 deferred STI awards vested during FY21 at the end of the two-year restriction period. Vesting date and exercise date are the same

10 No closely related parties of Executive KMP held any performance awards or deferred securities during FY21

11 Fair value at grant date for performance awards. Deferred securities represent the value of the STI deferred component

12 In accordance with the requirements of AASB 2 Share-based Payment, the fair value of performance awards as at their date of grant has been independently determined. The fair value of the performance awards with a TSR performance measure has been valued applying a Monte Carlo simulation (using a Black-Scholes framework) to model Transurban's security price and the TSR performance against the comparator group's TSR performance. The fair value of performance awards with a FCF performance measure (grants made prior to October 2020) has been determined by reference to Transurban's security price at the grant date discounted for dividends and distributions forgone throughout the performance period. The amount included is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest

Executive KMP remuneration

	Short-term employee benefits				Post-employment benefits	Long-term benefits	Share-based benefits[10]	
	Cash salary and fees	Cash STI[7]	Non-monetary benefits[8]	Deferred STI[9]	Super-annuation	Long service leave	Equity awards	Total
Current Executive KMP								
S Charlton								
2021	2,278,306	1,343,200	6,466	1,032,892	21,694	44,125	787,301	5,513,984
2020	2,278,997	575,000	6,467	1,080,615	21,003	108,779	480,721	4,551,582
H Byrne[1]								
2021	703,306	255,310	4,103	208,850	21,694	13,476	126,347	1,333,086
2020	234,666	49,270	1,288	60,015	7,001	32,128	20,915	405,283
M Huey								
2021	703,306	283,675	3,932	198,227	21,694	26,558	134,244	1,371,636
2020	680,997	169,425	3,667	118,900	21,003	19,267	68,243	1,081,502
M Jablko[2]								
2021	372,601	116,890	766	38,963	5,424	–	356,250	890,894
S Johnson								
2021	706,306	284,850	4,080	246,010	21,694	10,340	135,139	1,408,419
2020	706,997	224,505	4,040	247,630	21,003	(8,987)	71,144	1,266,332
S Moorfield[3]								
2021	605,093	196,090	1,671	65,363	16,271	–	86,006	970,494
H Wehby[4]								
2021	759,715	240,555	1,815	80,185	16,271	–	146,457	1,244,998
Former Executive KMP								
J Aument[5]								
2021	512,588	–	10,768	(340,965)	15,582	–	(280,799)	(82,826)
2020	893,655	258,135	1,540	324,473	16,682	–	86,903	1,581,388
A Watson[6]								
2021	379,010	–	1,065	255,400	9,039	(53,595)	(305,836)	285,083
2020	878,997	205,145	2,961	286,713	21,003	27,715	85,561	1,508,095
Total								
2021	7,020,231	2,720,570	34,666	1,784,925	149,363	40,904	1,185,109	12,935,768
2020	5,674,309	1,481,480	19,963	2,118,346	107,695	178,902	813,487	10,394,182

1 *FY20: Henry Byrne commenced as a KMP on 1 March 2020 and the period of reporting is from that date*

2 *Michelle Jablko commenced as a KMP on 29 March 2021 and the period of reporting is from that date*

3 *Simon Moorfield commenced as a KMP on 5 October 2020 and the period of reporting is from that date*

4 *Hugh Wehby commenced as a KMP on 19 October 2020 and the period of reporting is from that date*

5 *Jennifer Aument resigned and departed Transurban on 21 March 2021. She ceased as a KMP on 14 February 2021 and the period of reporting is until that date. Jennifer is remunerated in US Dollars and the amounts shown in the table above have been converted to Australian Dollars using the average exchange rate over the reporting period, being $0.7316 (2020: $0.6714). Jennifer's annual cash salary remained unchanged in FY21 at US$600K*

6 *Adam Watson resigned and departed Transurban on 13 November 2020. His cash salary amount included annual leave of $17,555 and a refund of $33,833 for unused purchased leave which were paid out on termination*

7 *The amount represents the cash STI payment to the Executive KMP for FY21, which will be paid in September 2021. FY20: cash component of FY20 STI paid in September 2020*

8 *Non-monetary benefits include Group employee insurance. Amounts disclosed for 2020 have been restated and differ to those in the 2020 Remuneration Report*

9 *A component of STI award is deferred into Transurban stapled securities. In accordance with accounting standards, the deferred component will be recognised over the three-year service period. The Board exercised its discretion and approved that Adam Watson retain his unvested deferred securities. The value of the Deferred STI benefit for Adam is the amount that would have been recognised for services received from Adam over the remainder of the deferred periods. These awards will continue on foot and vest at the end of the original two-year deferred period*

10 *In accordance with the requirements of the accounting standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. performance awards under the LTI plan). The fair value of the awards is determined as at the grant date and is progressively allocated over the performance period. The amount included, as remuneration may be different to the benefit (if any) that the KMP may ultimately realise should the awards vest. The fair value of performance awards with a TSR performance measure has been determined by applying a Monte Carlo simulation (using a Black-Scholes framework) to model Transurban's security price and the TSR performance against the comparator group performance. The fair value of performance awards with a FCF performance measure has been determined by reference to Transurban's security price at the grant date discounted for dividends and distributions forgone throughout the performance period. As the FCF performance measure is a non-market performance condition, amounts recognised are adjusted based on the best available estimate of the number of equity instruments expected to vest*

FY21: The value for share based benefits for Michelle Jablko, Simon Moorfield and Hugh Wehby include their one-off grants of performance awards as detailed on page 104

Remuneration paid to Non-executive Directors

	Short-term benefits	Post-employment benefits	
	Fees	Super-annuation[1]	Total
Current Non-executive Directors			
L Maxsted			
2021	**578,306**	**21,694**	**600,000**
2020	578,997	21,003	600,000
M Birrell			
2021	**210,046**	**19,954**	**230,000**
2020	210,046	19,954	230,000
T Bowen[2]			
2021	**206,241**	**19,593**	**225,834**
2020	78,006	7,411	85,417
N Chatfield			
2021	**268,277**	**–**	**268,277**
2020	235,998	14,002	250,000
S Mostyn			
2021	**228,311**	**21,689**	**250,000**
2020	228,998	21,002	250,000
T Reed[3]			
2021	**124,810**	**11,857**	**136,667**
P Scott			
2021	**210,046**	**19,954**	**230,000**
2020	210,046	19,954	230,000
R Whitfield[4]			
2021	**124,810**	**11,857**	**136,667**
J Wilson			
2021	**205,479**	**19,521**	**225,000**
2020	205,479	19,521	225,000
Former Non-executive Directors			
C O'Reilly[5]			
2021	**69,545**	**–**	**69,545**
2020	244,499	10,501	255,000
Total			
2021	**2,225,871**	**146,119**	**2,371,990**
2020	1,992,069	133,348	2,125,417

1 *Superannuation contributions made on behalf of Non-executive Directors to satisfy Transurban's obligations under applicable superannuation guarantee legislation. Excludes Australian Taxation Office approved exemptions*

2 *FY20: Terry Bowen commenced as a Non-executive Director on 1 February 2020 and the period reported is from that date*

3 *Tim Reed commenced as a Non-executive Director on 1 November 2020 and the period reported is from that date*

4 *Rob Whitfield commenced as a Non-executive Director on 1 November 2020 and the period reported is from that date*

5 *Christine O'Reilly ceased to be a Non-executive Director on 8 October 2020 and her remuneration reported is until that date*

Securities held by Non-executive Directors as at 30 June 2021 and at the date of this Report

	Balance at start of year	Changes during year	Balance at end of year[6,7]
Current Non-executive Directors			
L Maxsted	90,307	–	90,307
M Birrell	10,145	2,118	12,263
T Bowen	40,221	–	40,221
N Chatfield	65,867	–	65,867
S Mostyn	27,556	640	28,196
T Reed	–	–	–
P Scott	30,597	710	31,307
R Whitfield	–	10,000	10,000
J Wilson	13,727	6,273	20,000
Former Non-executive Directors			
C O'Reilly	27,595	–	N/A

6 *No Transurban securities were held nominally or held by closely related parties of Non-executive Directors during FY21*

7 *Balance at the date of this Report is the same as the balance at the end of FY21*

Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited and the entities they controlled during the period.

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Melbourne
9 August 2021

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Section A: Group financial statements

Transurban Holdings Limited
Consolidated statement of comprehensive income for the year ended 30 June 2021

	Note	2021 $M	2020 $M
Continuing operations[1]			
Revenue	B5	**2,886**	**3,169**
Expenses			
Employee benefits expense		(280)	(255)
Road operating costs		(328)	(321)
Construction costs		(480)	(763)
Transaction and integration costs		(5)	(7)
Corporate and other expenses		(102)	(85)
Total expenses		**(1,195)**	**(1,431)**
Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes		**1,691**	**1,738**
Amortisation		(1,017)	(994)
Depreciation		(123)	(148)
Total depreciation and amortisation		**(1,140)**	**(1,142)**
Net finance costs	B13	(870)	(776)
Share of loss of equity accounted investments, inclusive of impairments	B25	(161)	(62)
Loss before income tax		**(480)**	**(242)**
Income tax benefit	B7	193	142
Loss for the year from continuing operations		**(287)**	**(100)**
Discontinued operations			
Profit/(loss) for the year from discontinued operations	B24	**3,559**	**(53)**
Profit/(loss) for the year from continuing and discontinued operations		**3,272**	**(153)**
Profit/(loss) attributable to:			
Ordinary security holders of the stapled group			
–Attributable to Transurban Holdings Limited (THL)		(356)	(267)
–Attributable to THT/TIL		3,659	156
Profit/(loss) attributable to ordinary security holders of the stapled group	B9	**3,303**	**(111)**
Non-controlling interests—other	B26	(31)	(42)
Profit/(loss) for the year		**3,272**	**(153)**
Other comprehensive income			
Gains reclassified on disposal of subsidiary, net of tax		(198)	–
Items that may be reclassified to profit and loss in the future			
Changes in the fair value of cash flow hedges, net of tax		149	11
Changes in the fair value of cost of hedging, net of tax		4	–
Share of other comprehensive income/(loss) of equity accounted investments, net of tax	B25	74	(22)
Exchange differences on translation of North American operations, net of tax		97	6
Other comprehensive income/(loss) for the year, net of tax		**126**	**(5)**
Total comprehensive income/(loss) for the year		**3,398**	**(158)**
Total comprehensive income/(loss) for the year is attributable to:			
Ordinary security holders of the stapled group			
–Attributable to THL		(327)	(310)
–Attributable to THT/TIL		3,761	151
Non-controlling interests—other		(36)	1
Total comprehensive income/(loss) for the year		**3,398**	**(158)**
		Cents	**Cents**
Earnings from continuing operations per security attributable to ordinary security holders of the stapled group	B9	**(9.4)**	**(2.1)**
Earnings per security attributable to ordinary security holders of the stapled group	B9	**120.6**	**(4.1)**

1. *Unless otherwise stated, statutory financial information in this report has been reclassified to present the results of Transurban Chesapeake (TC) as discontinued operations in the current period and prior comparative period. During the period, the Group divested 50% of its equity interest in TC which holds the 495 Express Lanes and 95 Express Lanes concessions. Refer to Note B24 for further information.*

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Section A: Group financial statements for the year ended 30 June 2021

Transurban Holdings Limited
Consolidated balance sheet as at 30 June 2021

	Note	2021 $M	2020 $M
Assets			
Current assets			
Cash and cash equivalents	B8	4,285	2,349
Trade and other receivables	B8	572	417
Derivative financial instruments	B15	–	71
Total current assets		**4,857**	**2,837**
Non-current assets			
Equity accounted investments	B25	5,751	3,435
Trade and other receivables		194	–
Financial assets at amortised cost	B32	1,353	1,352
Derivative financial instruments	B15	145	497
Property, plant and equipment		567	594
Concession financial asset	B18	330	331
Deferred tax assets	B7	831	1,098
Goodwill	B16	466	466
Other intangible assets	B17	21,177	25,940
Total non-current assets		**30,814**	**33,713**
Total assets		**35,671**	**36,550**
Liabilities			
Current liabilities			
Trade and other payables	B8	397	485
Current tax liabilities	B7	182	–
Borrowings	B14	750	1,553
Derivative financial instruments	B15	2	96
Maintenance provision	B19	144	104
Distribution provision	B10	627	476
Other provisions		83	141
Construction obligation provision	B20	579	767
Other liabilities		300	235
Total current liabilities		**3,064**	**3,857**
Non-current liabilities			
Borrowings	B14	17,081	19,525
Derivative financial instruments	B15	697	632
Deferred tax liabilities	B7	1,778	1,213
Maintenance provision	B19	934	1,102
Other provisions		7	7
Construction obligation provision	B20	646	822
Other liabilities		312	591
Total non-current liabilities		**21,455**	**23,892**
Total liabilities		**24,519**	**27,749**
Net assets		**11,152**	**8,801**
Equity			
Contributed equity	B11	2,929	2,919
Reserves	B12	(457)	(491)
Accumulated losses		(4,270)	(3,887)
Equity attributable to other members of the stapled group (THT/TIL)		12,149	9,333
Equity attributable to security holders of the stapled group		**10,351**	**7,874**
Non-controlling interests—other	B26	801	927
Total equity		**11,152**	**8,801**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Section A: Group financial statements for the year ended 30 June 2021

Transurban Holdings Limited
Consolidated statement of changes in equity for the year ended 30 June 2021

	Attributable to security holders of the stapled group							
	Number of securities M	Contributed equity $M	Reserves $M	Accumulated losses $M	Equity attributable to other members—THT & TIL $M	Total $M	Non-controlling interests—other $M	Total equity $M
Balance at 1 July 2020	**2,735**	**2,919**	**(491)**	**(3,887)**	**9,333**	**7,874**	**927**	**8,801**
Comprehensive income/(loss)								
Profit/(loss) for the year	–	–	–	(356)	3,659	3,303	(31)	3,272
Other comprehensive income/(loss)	–	–	29	–	102	131	(5)	126
Total comprehensive income/(loss)	**–**	**–**	**29**	**(356)**	**3,761**	**3,434**	**(36)**	**3,398**
Transactions with owners in their capacity as owners:								
Employee performance awards issued[1]	1	2	(1)	–	5	6	–	6
Distributions provided for or paid[2]	–	–	–	(27)	(972)	(999)	–	(999)
Distribution reinvestment plan[3]	2	8	–	–	22	30	–	30
Distributions to non-controlling interests[4]	–	–	–	–	–	–	(90)	(90)
Transactions with non-controlling interests—other[5]	–	–	6	–	–	6	–	6
	3	**10**	**5**	**(27)**	**(945)**	**(957)**	**(90)**	**(1,047)**
Balance at 30 June 2021	**2,738**	**2,929**	**(457)**	**(4,270)**	**12,149**	**10,351**	**801**	**11,152**

1. *From 2012 it is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other executives are deferred for a period of 2 years. In addition to the Short Term Incentives, stapled securities (including units in the Trust) were issued to senior executives and other employees under the Group's Long Term Incentive share based payment plans. These securities are held by the employees but will only vest in accordance with the terms of the plans.*
2. *Refer to Note B10 for further details of dividends and distributions provided for or paid.*
3. *Under the Distribution Reinvestment Plan (DRP), holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. The DRP applied for the final distribution for FY20 and the interim distribution for FY21, paid in August 2020 and February 2021, respectively. The DRP applies for the final FY21 distribution.*
4. *Distributions and dividends were paid during the period to the non-controlling interest partners in the Eastern Distributor and Transurban Queensland.*
5. *Stamp duty adjustment relating to the acquisition of the remaining 34.62% interest of M5 West on 30 October 2019 (refer to Note B24).*

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Section A: Group financial statements for the year ended 30 June 2021

Transurban Holdings Limited
Consolidated statement of changes in equity for the year ended 30 June 2020

	Attributable to security holders of the stapled group							
	Number of securities M	**Contributed equity $M**	**Reserves $M**	**Accumulated losses $M**	**Equity attributable to other members—THT & TIL $M**	**Total $M**	**Non-controlling interests—other $M**	**Total equity $M**
Balance at 1 July 2019	**2,675**	**2,675**	**(149)**	**(3,565)**	**9,790**	**8,751**	**1,148**	**9,899**
Comprehensive (loss)/income								
(Loss)/profit for the year	–	–	–	(267)	156	(111)	(42)	(153)
Other comprehensive (loss)/income	–	–	(43)	–	(5)	(48)	43	(5)
Total comprehensive (loss)/income	**–**	**–**	**(43)**	**(267)**	**151**	**(159)**	**1**	**(158)**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs[1]	55	226	–	–	578	804	–	804
Employee performance awards issued[2]	1	3	(1)	–	4	6	–	6
Distributions provided for or paid[3]	–	–	–	(55)	(1,229)	(1,284)	–	(1,284)
Distribution reinvestment plan[4]	4	15	–	–	39	54	–	54
Distributions to non-controlling interests[5]	–	–	–	–	–	–	(87)	(87)
Derecognition of non-controlling interest on acquisition of remaining interest[6]	–	–	–	–	–	–	(135)	(135)
Transactions with non-controlling interests—other[6]	–	–	(298)	–	–	(298)	–	(298)
	60	**244**	**(299)**	**(55)**	**(608)**	**(718)**	**(222)**	**(940)**
Balance at 30 June 2020	**2,735**	**2,919**	**(491)**	**(3,887)**	**9,333**	**7,874**	**927**	**8,801**

1. During August and September 2019, the Group completed a 'pro-rata' institutional placement and security purchase plan. The 'pro-rata' institutional placement raised gross proceeds of $500 million at an issue price of $14.70 per security. The security purchase plan raised gross proceeds of $312 million at an issue price of $14.64 per security. The total gross proceeds of $812 million ($804 million net of transaction costs) were used to fund the Group's acquisition of the remaining interests in Interlink Roads Pty Limited (M5 West) and for general corporate purposes.

2. From 2012 it is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other executives are deferred for a period of 2 years. In addition to the Short Term Incentives, stapled securities (including units in the Trust) were issued to senior executives and other employees under the Group's Long Term Incentive share based payment plans. These securities are held by the employees but will only vest in accordance with the terms of the plans.

3. Refer to Note B10 for further details of dividends and distributions provided for or paid.

4. Under the Distribution Reinvestment Plan (DRP), holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. The DRP applied for the final distribution for FY19 and the interim distribution for FY20, paid in August 2019 and February 2020, respectively.

5. Distributions and dividends were paid during the period to the non-controlling interest partners in the Eastern Distributor, Transurban Queensland and the M5 West.

6. Refer to Note B24 for details on the derecognition of the non-controlling interest ($135 million) in the M5 West following the acquisition of the remaining 34.62% interest on 30 October 2019, including associated transaction costs ($39 million).

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Section A: Group financial statements for the year ended 30 June 2021

Transurban Holdings Limited
Consolidated statement of cash flows for the year ended 30 June 2021

	Note	2021 $M	2020 $M
Cash flows from operating activities			
Receipts from customers		2,529	2,762
Payments to suppliers and employees		(883)	(844)
Payments for maintenance of intangible assets		(88)	(135)
Transaction and integration costs		(30)	(7)
Other cash receipts		166	126
Interest received		13	35
Interest paid		(800)	(769)
Income taxes paid		(14)	(37)
Net cash inflow from operating activities	(a)	**893**	**1,131**
Cash flows from investing activities			
Payments for financial assets at amortised cost		(29)	(232)
Repayment of financial assets at amortised cost		61	75
Capital contribution to equity accounted investments		(115)	(48)
Payments for intangible assets		(926)	(1,391)
Payments for property, plant and equipment		(119)	(178)
Distributions received from equity accounted investments		446	171
Payments for acquisition of subsidiaries, net of cash acquired		–	(1)
Proceeds from disposal of subsidiaries, net of cash disposed	B24	2,343	–
Net cash inflow/(outflow) from investing activities		**1,661**	**(1,604)**
Cash flows from financing activities			
Proceeds from equity issues of stapled securities (net of costs)		–	804
Acquisition of non-controlling interest in subsidiary and term loan notes		–	(492)
Proceeds from borrowings (net of costs)	(b)	2,864	4,478
Proceeds made in the provision of loan facilities		–	32
Net proceeds from loan facilities	(b)	74	7
Principal repayment of leases	B31	(10)	(10)
Repayment of borrowings	(b)	(2,596)	(1,965)
Dividends and distributions paid to the Group's security holders	B10	(818)	(1,595)
Distributions paid to non-controlling interests	B10	(90)	(87)
Net cash (outflow)/inflow from financing activities		**(576)**	**1,172**
Net increase in cash and cash equivalents		**1,978**	**699**
Cash and cash equivalents at the beginning of the year		2,349	1,630
Effects of exchange rate changes on cash and cash equivalents		(42)	20
Cash and cash equivalents at end of the year	B8	**4,285**	**2,349**

Refer to Note B24 for cash flows from discontinued operations.

(a) Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Note	2021 $M	2020 $M
Profit/(loss) for the year from continuing and discontinued operations		**3,272**	**(153)**
Depreciation and amortisation		1,161	1,185
Gain on disposal of interest in TC		(3,751)	–
Non-cash share based payments expense		6	8
Non-cash net finance costs		241	116
Share of losses of equity accounted investments, inclusive of impairments	B25	161	62
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		(66)	26
Increase/(decrease) in concession and promissory note liability		32	(6)
Increase in operating creditors and accruals		11	58
Decrease in other operating provisions		(8)	(2)
Movement in deferred and current taxes		(227)	(205)
Increase in maintenance provision		61	42
Net cash inflow from operating activities		**893**	**1,131**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Section A: Group financial statements for the year ended 30 June 2021

Transurban Holdings Limited
Consolidated statement of cash flows for the year ended 30 June 2021 (continued)

(b) Reconciliation of liabilities arising from financing activities

	Borrowings current $M	Borrowings non-current $M	Debt principal related derivatives (included in assets /liabilities)[1] $M	Other Loan Facilities (included in other liabilities) $M	Total debt related financial instruments $M
Balance at 1 July 2020	**1,553**	**19,525**	**(1,436)**	**7**	**19,649**
Proceeds from borrowings (net of costs)	400	2,403	61	–	2,864
Repayment of borrowings	(1,993)	(490)	(113)	–	(2,596)
Proceeds from other loan facilities	–	–	–	120	120
Repayment of other loan facilities	–	–	–	(46)	(46)
Total cash flows	**(1,593)**	**1,913**	**(52)**	**74**	**342**
Non-cash changes					
Disposals through loss of control of subsidiary[2]	–	(2,598)	–	–	(2,598)
Foreign exchange movements	40	(1,047)	632	–	(375)
Transfer	750	(750)	–	–	–
Capitalised interest	–	21	–	–	21
Amortisation of borrowing costs	–	26	–	–	26
Non substantial modification gain	–	(9)	–	–	(9)
Total non-cash changes	**790**	**(4,357)**	**632**	**–**	**(2,935)**
Balance at 30 June 2021	**750**	**17,081**	**(856)**	**81**	**17,056**

1. *Total derivatives balance as at 30 June 2021 is a liability of $554 million. The difference in carrying value to the table above relates to interest rate swap contracts, forward exchange contracts, the interest portion of cross-currency interest rate swap contracts and credit valuation and debit valuation adjustments which are excluded from the balances above.*

2. *Relates to the deconsolidation of the Group's ownership interest in TC upon divestment of a 50% ownership interest (refer to Note B24).*

	Borrowings current $M	Borrowings non-current $M	Debt principal related derivatives (included in assets /liabilities)[1] $M	Other Loan Facilities (included in other liabilities) $M	Total debt related financial instruments $M
Balance at 1 July 2019	**959**	**17,507**	**(1,301)**	**–**	**17,165**
Proceeds from borrowings (net of costs)	–	4,478	–	–	4,478
Repayment of borrowings	(953)	(1,024)	12	–	(1,965)
Proceeds from other loan facilities	–	–	–	70	70
Repayment of other loan facilities	–	–	–	(63)	(63)
Capitalised premiums and discounts included in operating and investing cash flows	–	21	–	–	21
Total cash flows	**(953)**	**3,475**	**12**	**7**	**2,541**
Non-cash changes					
Acquisitions[2]	–	(65)	–	–	(65)
Foreign exchange movements	(6)	127	(147)	–	(26)
Transfer	1,553	(1,553)	–	–	–
Capitalised interest	–	14	–	–	14
Amortisation of borrowing costs	–	20	–	–	20
Total non-cash changes	**1,547**	**(1,457)**	**(147)**	**–**	**(57)**
Balance at 30 June 2020	**1,553**	**19,525**	**(1,436)**	**7**	**19,649**

1. *Total derivatives balance as at 30 June 2020 is a liability of $160 million. The difference in carrying value to the table above relates to interest rate swap contracts, forward exchange contracts, the interest portion of cross-currency interest rate swap contracts and credit valuation and debit valuation adjustments which are excluded from the balances above.*

2. *Relates to the acquisition of the remaining equity interest in the M5 West.*

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Section B: Notes to the Group financial statements

Basis of preparation and significant changes

B1 Corporate information

Transurban Holdings Limited (the Company, the Parent or THL) is a Company incorporated in Australia and limited by shares that are publicly traded on the Australian Securities Exchange. These financial statements have been prepared as a consolidation of the financial statements of Transurban Holdings Limited and its controlled entities (Transurban, Transurban Holdings Limited Group, Transurban Group or the Group). The controlled entities of THL include the other members of the stapled group being Transurban International Limited and its controlled entities (TIL) and Transurban Infrastructure Management Limited (TIML) as the responsible entity of Transurban Holding Trust and its controlled entities (THT). The equity securities of THL, TIL and THT are stapled and cannot be traded separately. The Group is a for-profit entity. Entities within the Group are domiciled and incorporated in Australia, the United States of America and Canada.

The consolidated financial statements of the Transurban Group for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 9 August 2021. Directors have the power to amend and reissue the financial statements.

B2 Summary of significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following transactions and events during the reporting period:

Sale of 50% interest in Transurban Chesapeake (TC)

On 31 March 2021, the Group completed the sale of 50% of its equity interest in TC for gross proceeds of USD $2.1 billion. Through 31 March 2021 the income statement of TC has been presented as a discontinued operation and on 31 March 2021 the Group's controlling interest in TC was disposed of and deconsolidated from the Group, resulting in a gain on sale of $3,726 million. From 31 March 2021 the retained 50% equity interest in TC is equity accounted and the Group's share of losses from the equity accounted investment have been recorded as part of the Group's continuing operations.

Refer to Note B24 for further information.

Coronavirus global pandemic and the related government-mandated restrictions (COVID-19)

COVID-19 has continued to impact the Group's operating performance, particularly traffic volumes and toll revenue. During the year ended 30 June 2021, toll revenue from continuing operations decreased 1.26% from the prior comparative period, with impacts across each of Transurban's markets varying depending on the level of government restrictions in place in response to COVID-19. In most regions traffic continued to improve from low levels experienced during mid-April 2020 as government restrictions eased, however, impacts to traffic on CityLink in Melbourne and A25 in Montreal were experienced as a result of government mandated restrictions on movement during the year. Traffic in each of Transurban's markets continues to be sensitive to government responses to COVID-19, as observed subsequent to 30 June 2021 with restrictions reimposed in Sydney, Melbourne and Brisbane. Despite the impact on toll revenue and the related decline in cash receipts, the Group's operations, liquidity and financial position have not been significantly impacted in the current reporting period by COVID-19.

The Group's concession assets have remained fully operational and investment into networks and major development projects has continued throughout the period. The Group also successfully raised $3,392 million of debt inclusive of new facilities across bank and debt capital markets during September 2020, October 2020, April 2021 and May 2021 to fund future capital requirements, refinance existing debt and for general corporate purposes.

B3 Basis of preparation

The Group financial statements are general purpose financial statements which:

- Have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Have adopted all accounting policies in accordance with AASs and, where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in these financial statements;
- Have applied the option under ASIC Corporations (Stapled Group Reports) Instrument 2015/838 to present the consolidated financial statements in one section (Section A) and all other reporting group members in a separate section (Section C);
- Comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- Have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities (including derivative financial instruments);
- Are presented in Australian dollars, which is the Group's functional and presentation currency;
- Have been rounded to the nearest million dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191; and
- Have restated the presentation of comparative amounts, where applicable, to conform to the current period presentation.

Unless otherwise stated, the financial statements present the income statement of TC as discontinued operations in the current and prior comparative period. Proportional results as disclosed in Note B4 Segment information have not been reclassified as they have been adjusted prospectively from the date of sale completion on 31 March 2021 when the Group's equity interest reduced from 100% to 50%. Details of the contribution of TC to the Group's results are disclosed in Note B24.

Going concern

The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. In determining the appropriateness of the basis of preparation, the Directors have considered the impact of COVID-19 on the Group's operations and in particular the next 12 months from the financial report release date of 9 August 2021.

While the long-term strategy of the Group remains unchanged, the ongoing impact of COVID-19 is uncertain and continues to represent a risk to the global economy. Traffic performance is expected to remain sensitive to future government responses to COVID-19 outbreaks, as well as global economic conditions.

In response to this uncertainty, the Group has critically assessed cash flow forecasts for the 12 months from the date of this report, taking into consideration an estimate of the potential continued impacts of COVID-19. Scenario analysis has been undertaken on cash flow forecasts to reflect reasonably possible changes in traffic volume and includes funding future debt financing through the use of existing debt facilities and cash and cash equivalents as at 30 June 2021. Based on the analysis, which includes judgement, the Group is expected to have sufficient headroom to continue to operate within available cash levels and the terms of its debt facilities.

Despite the impact of COVID-19 on the global economy, the Group continues to be successful in accessing credit markets at market rates. In the year ended 30 June 2021 the Group received $1,239 million (US$900 million) in proceeds from the issuance of senior secured 10.5 year notes in the 144A/Reg S Market that reached financial close on 16 September 2020, $300 million in proceeds from the issuance of fixed rate senior secured 10.25 year notes under its Australian Medium Term Note (AMTN) programme that reached financial close on 5 May 2021 and a further $269 million (CHF 190 million) in proceeds from the issuance of senior secured 10.5 year notes under its Euro Medium Term Note (EMTN) programme that reached financial close on 19 May 2021. The Group received proceeds from bank debt facilities of $302 million with a tenor of 3.25 years and $282 million with a tenor of 5 years, reaching financial close on these facilities on 15 October 2020 and 1 April 2021 respectively. The Group also increased the size of its existing $1,650 million syndicated bank debt facility to $2,650 million on 15 April 2021, the new debt tranche has a tenor of 2.5 years.

B3 Basis of preparation (continued)

Going concern (continued)

The Group has also forecast that it does not expect to breach any financial covenants within the next 12 months from the date of this report. Financial covenant forecasts utilised the same underlying cash flow forecasts as those described above, with asset specific scenario analysis overlayed to adjust for reasonably possible changes in assumptions. Corporate and non-recourse debt financial covenants are calculated on a trailing 12 month basis.

Furthermore, the Directors have also taken the following matters into consideration in forming the view that the Group is a going concern:

- The Group has cash and cash equivalents of $4,285 million as at 30 June 2021;
- The Group has available a total of $2,769 million of undrawn general purpose borrowing facilities across a number of financial providers with a maturity beyond 12 months (total undrawn general purpose borrowing facilities is $2,769 million). Additionally, the Group has a further $84 million of undrawn borrowing facilities to provide funding for the Group's capital projects with a maturity beyond 12 months (total undrawn capital borrowings is $84 million); and
- The Group has paid $818 million of distributions to the Group's security holders over the past 12 months. Payment of future dividends and distributions is at the discretion of the Board.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit and loss are recognised in the profit and loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in the fair value reserve in equity.

Foreign operations

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates throughout the course of the reporting period (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments, are taken to other comprehensive income.

B3 Basis of preparation (continued)

New and amended standards and interpretations

The Group has adopted the following new and amended accounting standards and interpretations which became effective for the annual reporting period commencing 1 July 2020. The Group's assessment of the impact of these new and amended standards and interpretations is set out below.

Reference	Description and impact on the Group
AASB 2018-6 *Amendments to Australian Accounting Standards—Definition of a Business*	Amendments to AASB 3 revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be a business without outputs, there would need to be an organised workforce. Application of the new standard is prospective for acquisitions occurring on or after 1 July 2020. The changes to the standard are expected to result in more acquisitions being accounted for as an asset acquisition by the Group.
AASB 2018-7 *Amendments to Australian Accounting Standards—Definition of Material*	Amendments are primarily to AASB 101 and AASB 108 to refine the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. Application of the amendments has not materially impacted the Group.
AASB 2019-1 *Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards—References to the Conceptual Framework*	The AASB issued a revised Conceptual Framework which will initially only apply to for-profit private sector entities that have public accountability and are required by legislation to comply with AASs, and to other for-profit entities that elect to apply it. The key amendments include revising the definition and recognition criteria for assets, liabilities, income and expenses and other relevant financial reporting concepts. No changes have been made to existing AAS, however the updated concepts should be used when an existing accounting standard does not provide relevant guidance for a transaction. AASB 2019-1 makes consequential changes to other standards so that they retain the previous Framework for the preparation and presentation of financial statements for entities that do not have to apply the revised Framework. The revised Framework has not materially impacted the Group given there is no change to existing AAS and there are no existing transactions that require the application of the revised Framework.
AASB 2019-5 *Amendments to Australian Accounting Standards—Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	Amendments to AASB 1054 to clarify that in order for an entity to assert compliance with IFRS in its financial statements, it is required to disclose the potential effect on its financial statements of an IFRS that has not yet been issued by the AASB as at reporting date. Application of the amendments has not impacted the Group.
AASB 2020-4 *Amendments to Australian Accounting Standards—COVID-19 Related Rent Concessions*	This standard amends AASB 16 to provide lessees with an optional practical expedient in assessing whether a COVID-19 related rent concession is a lease modification. The optional practical expedient allows any impact from the change in lease payments (originally due before 30 June 2021) to be recognised directly in the profit and loss. The amending standard also requires disclosure of the use of the election and the amount recognised in the profit and loss as a result. Application of this standard has not materially impacted the Group.

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published but are not mandatory for the year ended 30 June 2021. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Description and impact on the Group	Application of the standard	Application by the Group
AASB 2014-10 *Amendments to Australian Accounting Standards—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The AASB has made limited scope amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in AASB 3 *Business Combinations*). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interest in the associate or joint venture. Application of the new standard is prospective and is not expected to materially impact the Group.	1 January 2022	1 July 2022
AASB 2020-1 *Amendments to Australian Accounting Standards—Classification of Liabilities as Current or Non-current* **AASB 2020-6** *Amendments to Australian Accounting Standards—Classification of Liabilities as Current or Non-current – Deferral of Effective Date*	AASB 2020-1 amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. AASB 2020-6 defers the application date of AASB 2020-1 by one year. Application of the amendments is not expected to materially impact the Group.	1 January 2023	1 July 2023
AASB 2020-3 *Amendments to Australian Accounting Standards—Annual improvements 2018–2020 and Other Amendments*	The following small amendments were made to accounting standards: • Annual Improvements 2018-2020 Cycle make minor amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards*, AASB 9 *Financial Instruments* and the Illustrative Examples accompanying AASB 16 *Leases* to clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards; • Amendments to AASB 3 *Business Combinations* update a reference in AASB 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; • Amendments to AASB 116 *Property, Plant and Equipment* require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in the profit and loss, instead of deducting the amounts received from the cost of the asset; and • Amendments to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* clarify which costs a company includes when assessing whether a contract will be onerous. The application of the above amendments is prospective following the application date by the Group and is not expected to materially impact the Group.	1 January 2022	1 July 2022
AASB 2020-8 *Amendments to Australian Accounting Standards—Interest Rate Benchmark Reform – Phase 2*	This standard amends AASB 9 *Financial Instruments*, AASB 16 *Leases* and AASB 7 *Financial Instruments: Disclosures*, providing certain relief for hedge accounting and changes to contractual cash flows of financial instruments (including lease liabilities) due to the reform of inter-bank offered rates. The relief enables hedge accounting to continue for certain hedges that might otherwise need to be discontinued once an alternative benchmark interest rate is available. It also allows the recalculation of the carrying amount of a financial instrument using an updated effective interest rate to reflect the change to the benchmark rate for the purpose of discounting the revised contractual cash flows. The application of the amendments is not expected to materially impact the Group.	1 January 2021	1 July 2021
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	The standard amends AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 134 *Interim Financial Reporting* and *AASB Practice Statement 2 Making Materiality Judgements* to: • improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and • distinguish changes in accounting estimates from changes in accounting policies. The application of the amendments is not expected to materially impact the Group.	1 January 2023	1 July 2023

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Description and impact on the Group	Application of the standard	Application by the Group
AASB 2021-3 *Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions beyond 30 June 2021*	AASB 2021-3 extends the date of the practical expedient provided to lessees in AASB 2020-4 from 30 June 2021 to 30 June 2022. The practical expedient allows lessees to recognise any change in lease payments (now due before 30 June 2022) arising from a COVID-19 related rent concession directly in the profit and loss and not have to assess whether it is lease modification. Application of this standard is not expected to materially impact the Group.	1 April 2021	1 July 2021
AASB 2021-5 *Amendments to Australian Accounting Standards—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	AASB 2021-5 has made amendments to AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 112 *Income Taxes* which require companies in specified circumstances to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Transactions that are expected to be captured by the amendments include leases where the entity is a lessee and decommissioning obligations. The amendments are not expected to materially impact the Group as the Group has already recognised deferred tax on lease arrangements where the Group is a lessee and there are no other transactions expected to be captured within the amendments.	1 January 2023	1 July 2023

Critical accounting estimates and judgements

Estimates and judgements are regularly made by management and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

• Provision for income taxes and utilisation of tax losses;	Note B7
• Fair value of derivatives and other financial instruments;	Note B15
• Recoverability of goodwill, other intangibles assets and equity accounted investments;	Concession Summary
• Construction risk of assets under construction;	Note B17
• Provision for maintenance expenditure;	Note B19
• Valuation of construction liability;	Note B20
• Valuation of promissory notes and concession notes;	Note B21
• Assessment of control of TC;	Note B24
• Assessment of control of Sydney Transport Partners (STP) JV; and	Note B25
• Contingencies	Note B28

KEY ESTIMATE AND JUDGEMENT

The Group has made a number of estimates and judgements as at 30 June 2021 as a result of COVID-19. These estimates and judgements are included in the notes to the financial statements as applicable.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

Operating performance

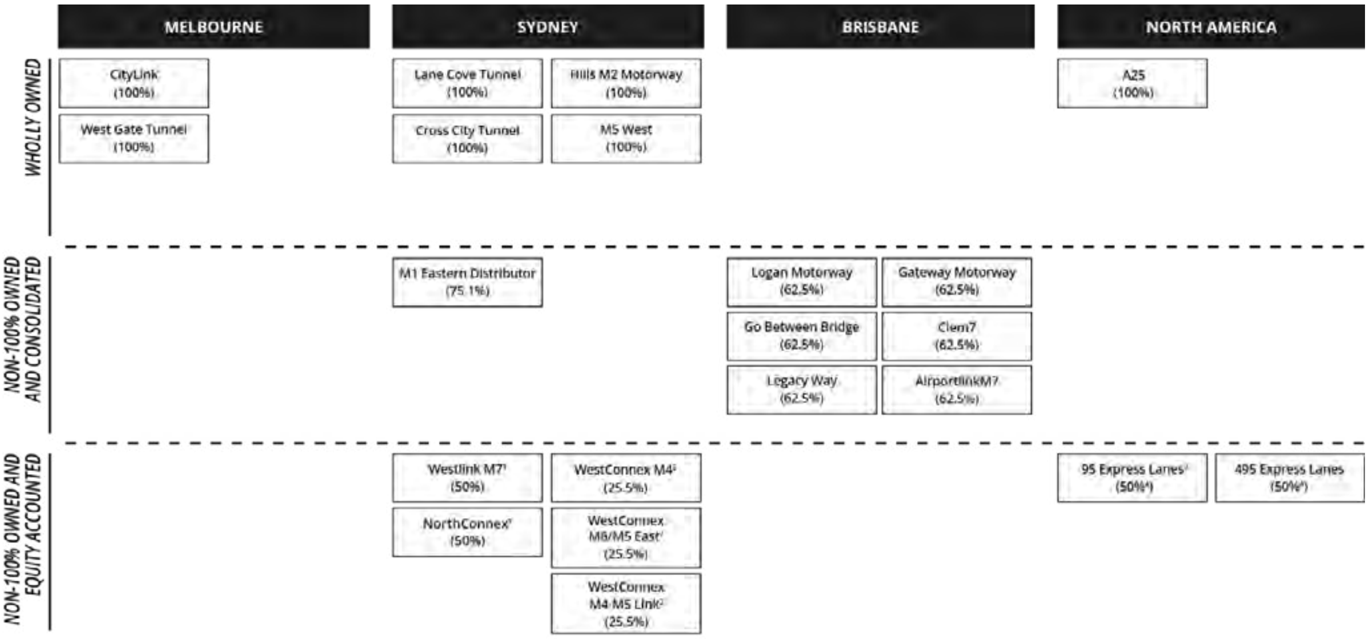
B4 Segment information

In the segment information provided to the Transurban Group Executive Committee (certain members of which act as the chief operating decision maker), segments are defined by the geographical region in which the Group operates being Melbourne, Sydney, Brisbane and North America. The Group's corporate function is not an operating segment under the requirements of AASB 8 as its revenue generating activities are only incidental to the business.

The Executive Committee assesses the performance of the region based on a measure of proportional earnings before depreciation, amortisation, net finance costs and income taxes (Proportional EBITDA). This reflects the contribution of each region in the Group in the proportion of Transurban's equity ownership.

Significant items are those items where their nature is sufficiently significant to the financial statements and not in the ordinary course of business. Refer to Note B6 for further details.

The diagram below shows the assets included in each geographical region, together with the ownership interests held by the Group as at 30 June 2021:



1. Westlink M7 and NorthConnex form the NorthWestern Roads Group (NWRG).

2. The M4, M8/M5 East and M4-M5 Link together form WestConnex. The M8/M5 East includes the newly constructed M8, the M5 East and will include the M5 West from December 2026.

3. The 95 Express Lanes concession is inclusive of the 395 Express Lanes and the Fredericksburg Extension.

4. 495 Express Lanes and 95 Express Lanes are part of TC. During the period, the Group divested 50% of its equity interest in TC (refer to Note B24).

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B4 Segment information (continued)

Segment information—proportional income statement

Proportional segment information includes the results of discontinued operations, being TC, which includes the 95 Express Lanes and 495 Express Lanes assets which are included at proportional ownership, being 100% for the period to 31 March 2021 and 50% from 1 April 2021 to 30 June 2021.

2021
$M

	Note	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue		616	1,278	425	167	–	2,486
Other revenue		24	49	3	21	30	127
Total proportional revenue		**640**	**1,327**	**428**	**188**	**30**	**2,613**
Underlying proportional EBITDA		502	1,033	314	72	(85)	1,836
Significant items	B6	–	(6)	–	(18)	–	(24)
Proportional EBITDA		**502**	**1,027**	**314**	**54**	**(85)**	**1,812**

2020
$M

	Note	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue		747	1,072	394	279	–	2,492
Other revenue		23	48	5	15	26	117
Total proportional revenue		**770**	**1,120**	**399**	**294**	**26**	**2,609**
Underlying proportional EBITDA		634	879	286	154	(65)	1,888
Significant items	B6	–	(13)	–	(1)	–	(14)
Proportional EBITDA		**634**	**866**	**286**	**153**	**(65)**	**1,874**

Reconciliation of segment information to statutory financial information

The proportional results presented above are different from the statutory financial results of the Group due to the proportional presentation of each asset's contribution to each geographical region and adjustments.

Segment revenue

Revenue from external customers comprises toll, service and fee revenues earned on toll roads. Segment revenue reconciles to total statutory revenue as follows:

	Note	2021 $M	2020 $M
Total segment revenue (proportional)		**2,613**	**2,609**
Add:			
Revenue attributable to non-controlling interests		291	312
Construction revenue from road development activities		567	1,003
Other revenue from discontinued operations[1]		6	8
Intragroup elimination[2]		32	16
Less:			
Proportional revenue of non-100% owned equity accounted assets		(432)	(296)
Toll revenue receipts on A25 relating to concession financial asset[3]		(13)	(13)
Other revenue receipts on A25 relating to concession financial asset[3]		(14)	(15)
Revenue attributable to discontinued operations[1]		(164)	(455)
Total statutory revenue from continuing operations	B5	**2,886**	**3,169**

1. *Statutory financial information classifies the results of TC as discontinued operations in the current and prior comparative period. Other revenue from discontinued operations represents intragroup revenue recognised in relation to arrangements between continuing and discontinued operations that is eliminated for segment purposes.*
2. *Statutory revenue recognised in relation to arrangements with the equity accounted investments that are eliminated for segment purposes.*
3. *The Executive Committee members acting as the chief operating decision maker assesses the performance of the Group using proportional results that include A25 income streams relating to availability payments and guaranteed toll income which are classified as revenue within the proportional results. These revenues form part of the ordinary activities of the A25 and are reflective of its underlying performance. For statutory accounting purposes, these income streams offset the related concession financial asset receivable recorded on acquisition of the A25 (refer to Note B18).*

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B4 Segment information (continued)

Proportional EBITDA

Proportional EBITDA reconciles to loss before income tax as follows:

	2021 $M	2020 $M
Proportional EBITDA	**1,812**	**1,874**
Add: EBITDA attributable to non-controlling interests	214	230
Add: Intragroup elimination[1]	9	3
Less: Proportional EBITDA (excluding significant items) of non-100% owned equity accounted assets	(330)	(245)
Add: Significant items incurred by equity accounted assets[2]	1	7
Less: Toll and other revenue on A25 concession financial asset relating to repayments received from Ministry of Transport of Quebec (MTQ)[3]	(27)	(28)
Less: EBITDA from discontinued operations net of transaction costs on disposal[4]	12	(103)
Statutory earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes from continuing operations	**1,691**	**1,738**
Statutory depreciation and amortisation from continuing operations	(1,140)	(1,142)
Statutory net finance costs from continuing operations	(870)	(776)
Share of loss from equity accounted investments, inclusive of impairments from continuing operations	(161)	(62)
Loss before income tax from continuing operations	**(480)**	**(242)**

1. *Statutory revenue recognised in relation to arrangements with equity accounted investments that are eliminated for segment purposes. For statutory purposes an offsetting adjustment is recognised within the share of loss from equity accounted investments, inclusive of impairments.*
2. *Refer to Note B6 for further information.*
3. *The Executive Committee members acting as the chief operating decision maker assesses the performance of the Group using proportional results that include A25 income streams relating to availability payments and guaranteed toll income which are classified as revenue within the proportional results. These revenues form part of the ordinary activities of the A25 and are reflective of its underlying performance. For statutory accounting purposes, these income streams offset the related concession financial asset receivable recorded on acquisition of the A25 (refer to Note B18).*
4. *Statutory results classify the results of TC as discontinued operations in the current and prior comparative period. Proportional EBITDA includes $18 million transaction costs on disposal of TC which are included within the statutory gain on disposal and not within statutory EBITDA.*

B5 Revenue

	2021 $M	2020 $M
Toll revenue	2,266	2,295
Construction revenue	480	763
Other revenue	140	111
Total revenue from continuing operations	**2,886**	**3,169**

The Group's principal revenue generating activities, being the service concession arrangements, are accounted for in accordance with AASB Interpretation 12 *Service Concession Arrangements* (IFRIC 12) and AASB 15 *Revenue from Contracts with Customers*. Those accounting pronouncements specify that operations and maintenance services and construction services provided under the Group's service concession arrangements are two distinct types of services.

The Group's service concession arrangements fall into two types of models, the intangible asset model and the financial asset model as discussed below.

Service concession arrangements—intangible asset model

The revenue streams covered by this model are Toll revenue and Construction revenue. Revenue recognition principles for these revenue streams are discussed below:

Revenue type	Recognition
Toll revenue	The customer of the operations and maintenance services is the user of the infrastructure. Each use made of the toll road by users is considered a performance obligation. The related revenue is recognised at the point in time that the individual service is provided and the amount is determined to be recoverable by the Group. Total toll revenue is net of any revenue share arrangements that the Group has triggered during the reporting period.
Construction revenue	The customer with respect to construction services is the concession grantor. Construction services are accounted for as one performance obligation and revenue is recognised in line with the progress of construction services provided over time. The progress of construction is measured by reference to costs incurred to date. Revenue is measured at fair value by reference to the stand-alone selling price.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B5 Revenue (continued)

Service concession arrangements—financial asset model

The Group's accounting policy for service concession arrangements under the financial asset model is consistent with that disclosed in Note B18. As at 30 June 2021, the Group's concession financial asset only relates to A25.

Revenue sharing

Toll revenue for the year ended 30 June 2021 is recognised net of revenue share of $24 million (2020: $28 million) to the grantor of A25, MTQ.

Other revenue

Other revenue includes management fee revenue, roaming fee revenue and advertising revenue and is recognised at the point in time the service is provided. Additionally, other revenue includes tolling services provided to third parties for which revenue is recognised over the period the service is provided. It also includes compensation received from third parties for a loss of toll revenue due to delays with construction completion, which is recognised when it is reasonably assured it will be collected.

Interest income—receivables

Interest income (refer to Note B13) from receivables and bank deposits is recognised using the effective interest method.

B6 Significant items

Significant items are items where their nature is sufficiently significant to the financial statements and not in the ordinary course of business. Such items included within the Group's results are detailed below:

Statutory

	2021 $M	2020 $M
Significant items included within total expenses		
Integration costs of M5 West and A25[1]	(5)	(7)
	(5)	(7)
Significant items included within share of loss of equity accounted investments, inclusive of impairments		
Transaction and integration costs relating to acquisition of WestConnex by STP JV	(1)	(7)
	(1)	(7)
Significant items relating to discontinued operations		
Gain on disposal of controlling interest in TC	5,144	–
Transaction costs relating to disposal of controlling interest in TC	(18)	–
	5,126	–
Total significant items	**5,120**	**(14)**
Income tax (expense)/benefit associated with above significant items	(1,398)	4
Net significant items	**3,722**	**(10)**

Proportional

	2021 $M	2020 $M
Significant items included within total expenses		
Integration costs of M5 West and A25[1]	(5)	(7)
Transaction costs relating to disposal of controlling interest in TC	(18)	–
Transaction and integration costs relating to acquisition of WestConnex by STP JV	(1)	(7)
Total significant items included within EBITDA	**(24)**	**(14)**

1. *FY20 includes costs relating to the integration of M5 West following the acquisition of the remaining 34.62% interest on 30 October 2019 and integration costs relating to A25. FY21 includes costs relating to the integration of M5 West.*

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B7 Income tax

Income tax expense/(benefit)

	2021 $M	2020 $M
Current tax	627	(107)
Deferred tax	551	(57)
Under/(over) provision in prior years	3	(3)
	1,181	**(167)**
Income tax (benefit)/expense attributable to continuing operations	(193)	(142)
Income tax expense/(benefit) attributable to discontinued operations	1,374	(25)
	1,181	**(167)**
Deferred income tax benefit included in income tax (benefit)/expense comprises:		
(Increase)/decrease in deferred tax assets	(72)	(135)
Increase/(decrease) in deferred tax liabilities	623	78
	551	**(57)**

Reconciliation of income tax expense/(benefit) to prima facie tax payable

	2021 $M	2020 $M
(Loss)/profit before income tax income tax from continuing operations	**(480)**	**(242)**
(Loss)/profit before income tax from discontinued operations (Note B24)	**4,933**	**(78)**
(Loss)/profit before income tax benefit	**4,453**	**(320)**
Tax at the Australian tax rate of 30% (2020: 30%)	1,336	(96)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Trust income not subject to tax	(131)	(122)
Equity accounted results	35	19
Tax rate differential	(195)	4
Non-deductible interest/(non-assessable)	12	(3)
Non-deductible depreciation	34	28
Prior year tax losses utilised	(5)	7
Assessable income from non-100% owned, controlled entities	–	3
Under/(over) provision in prior years	3	(3)
Gain on disposal of controlling interest in TC	47	–
Foreign exchange	34	(6)
Other items	11	2
Income tax expense/(benefit)	**1,181**	**(167)**
Tax expense/(income) relating to items of other comprehensive income and equity		
Cash flow hedges	32	17
Foreign currency translation	2	2
Cost of hedging	2	–
	36	**19**

Current tax liabilities

As at 30 June 2021 the current tax liabilities of the Group relate to income tax payable for AML, DRIVe and TUSAH tax consolidated groups. The income tax payable for the DRIVe and TUSAH tax consolidated groups relates to the Group's sale of its 50% interest in TC.

B7 Income tax (continued)

Deferred tax assets and liabilities

	Assets		Liabilities	
	2021 $M	2020 $M	2021 $M	2020 $M
The balance comprises temporary differences attributable to:				
Provisions	441	459	(16)	(14)
Current and prior year losses	646	1,101	–	–
Fixed assets/intangibles	529	584	(1,627)	(2,083)
Concession fees and promissory notes	–	–	(342)	(381)
Derivatives and foreign exchange	253	349	(90)	(155)
Lease liabilities	5	4	–	–
Equity accounted investments	–	–	(764)	–
Other	18	21	–	–
Tax assets/(liabilities)	**1,892**	**2,518**	**(2,839)**	**(2,633)**
Set-off of tax	(1,061)	(1,420)	1,061	1,420
Net tax assets/(liabilities)	**831**	**1,098**	**(1,778)**	**(1,213)**
Movements:				
Opening balance at 1 July	**2,518**	**2,223**	**(2,633)**	**(2,527)**
Credited/(charged) to profit or loss	72	135	141	(78)
(Charged)/credited to equity	(106)	(18)	70	(1)
Disposed through other comprehensive income[1]	(13)	–	–	–
Disposed through profit or loss[1]	(96)	–	326	–
Acquired[1]	–	–	(764)	–
Foreign exchange movements	(54)	7	23	(3)
Transfer from deferred tax assets/liabilities	(8)	13	8	(13)
Current year losses recognised/(prior year losses utilised) and under/(over) provision in prior years	(421)	158	(10)	(11)
Closing balance at 30 June	**1,892**	**2,518**	**(2,839)**	**(2,633)**
Deferred tax assets/(liabilities) to be recovered/(paid) after more than 12 months	**1,892**	**2,518**	**(2,839)**	**(2,633)**

1. Relates to the net impact of the deconsolidation of the Group's ownership interest in TC and recognition of an equity accounted investment in TC upon divestment of a 50% ownership interest (refer to Note B24).

The Group has reviewed its deferred tax assets with reference to the potential impact of COVID-19 on forecast taxable profits. Management have determined that it is probable that future taxable profits will be available to utilise against deferred tax assets recognised as at 30 June 2021.

The Group has not recognised tax effected losses of $23 million (2020: $42 million) for the TIL Australia tax consolidated group and DRIVe US tax consolidated group. Management have determined as at 30 June 2021 that it is not probable that future taxable profit will be available against which the Group can utilise these tax losses.

Accounting policy

The income tax expense/(benefit) for the period is the tax payable or benefit on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Transurban stapled group comprises two corporate entities (THL and TIL) and a trust (THT). THT operates as a flow-through trust, and is not liable to pay tax itself. Instead, security holders pay tax on the distributions they receive from the trust at their individual marginal tax rates. The Group is structured in this way because the initial heavy capital investment and associated debt funding required for infrastructure investments results in accounting losses being generated in the initial years which would otherwise prevent a company from paying dividends. The trust enables distributions to be made to security holders throughout the life of the asset.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B7 Income tax (continued)

Accounting policy (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Investment allowances

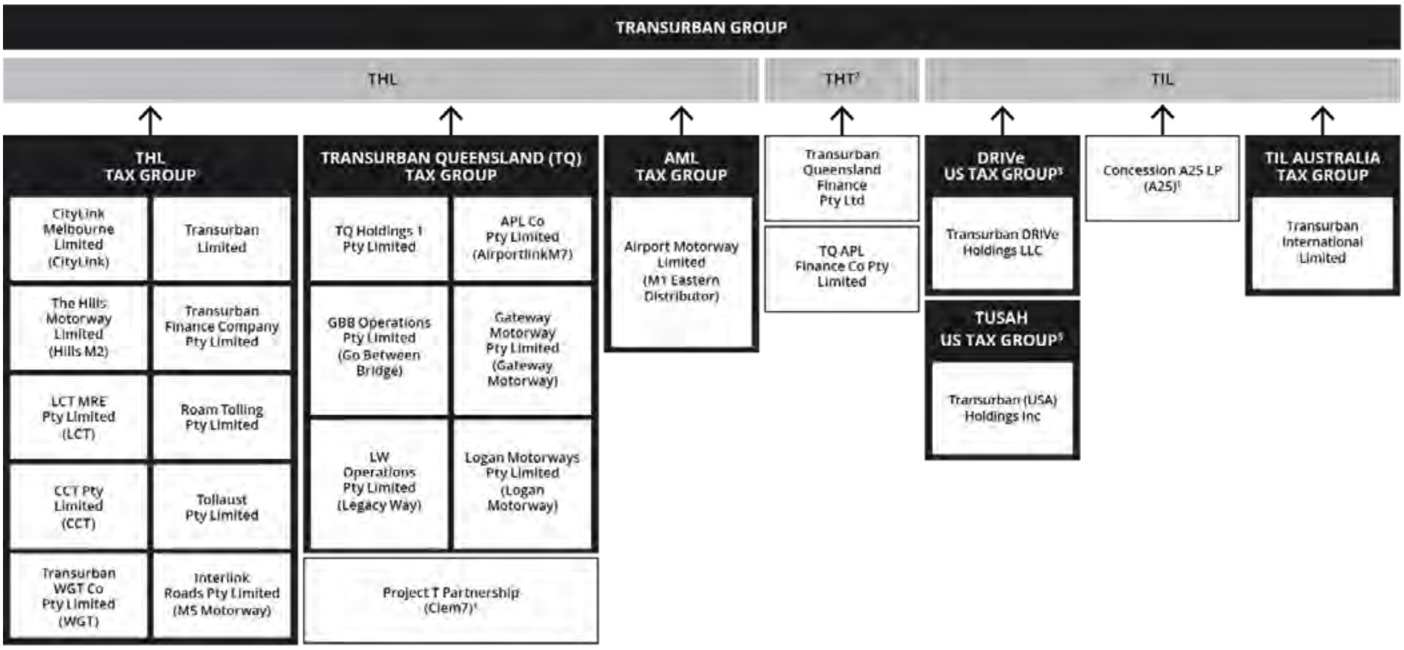
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as tax losses.

Tax consolidation legislation

The Transurban Group has adopted the Australian tax consolidation legislation for THL and its wholly-owned Australian entities from 1 July 2005.

All entities within the Australian tax consolidated groups continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation group is a separate taxpayer within the tax consolidated group.

The tax consolidated groups within the Group are summarised as follows:



1. *Entity is classified as a partnership for tax purposes.*
2. *There are no tax groups under THT.*
3. *TC is treated as a partnership for US tax purposes and owns all of the membership interests in both 495 Express Lanes and 95 Express Lanes. Taxable income and losses of TC, inclusive of 495 Express Lanes and 95 Express Lanes, flow to the partners of TC for inclusion in their respective US tax returns. The DRIVe and TUSAH tax consolidated groups collectively own 50% of the membership interests in TC.*

B7 Income tax (continued)

THL tax consolidated group

The entities in the THL tax consolidated group entered into a tax sharing agreement (TSA) effective from 29 April 2009, with amendments executed on 30 June 2020 to cover various administrative changes in tax legislation.

The entities in the THL tax consolidated group have also entered into a tax funding agreement (TFA) effective from 1 July 2008, with amendments executed on 30 June 2020 to cover various administrative changes in tax legislation. Under the TFA the wholly-owned entities fully compensate THL for any current tax payable assumed and are compensated by THL for any current tax receivable and deferred tax assets relating to tax losses. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amount receivable/payable under the TFA is calculated at the end of the financial year for each wholly-owned entity. THL determines and communicates the amount payable/receivable to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

Transurban Queensland tax consolidated group

The entities in the Transurban Queensland Holdings 1 Pty Ltd (TQH1) tax consolidated group entered into a TSA effective from 2 July 2014. The entities in the TQH1 tax consolidated group have also entered into a TFA effective from 2 July 2014. APL Hold Co Pty Ltd (AirportlinkM7) and its controlled entities entered the Transurban Queensland tax consolidated group effective from 23 November 2015.

Under the TFA the wholly-owned entities fully compensate TQH1 for any current tax payable assumed and are compensated by TQH1 for any current tax receivable and deferred tax assets relating to tax losses. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amount receivable/payable under the TFA is calculated at the end of the financial year for each wholly-owned entity. TQH1 determines and communicates the amount payable/receivable to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

Airport Motorway tax consolidated group

The entities in the Airport Motorway Holdings (AMH) tax consolidated group entered into a TSA effective from 2 July 2009. The entities in the AMH tax consolidated group have also entered into a TFA effective from 2 July 2009.

Under the TFA the wholly-owned entities fully compensate AMH for any current tax payable assumed and are compensated by AMH for any current tax receivable and deferred tax assets relating to tax losses. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amount receivable/payable under the TFA is calculated at the end of the financial year for each wholly-owned entity. AMH determines and communicates the amount payable/receivable to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

Transurban International tax consolidated groups

Transurban International Limited consists of the Australian holding company, USA operations and the Canadian operations. There are three tax consolidated groups in Transurban International Limited being the TIL Australia tax consolidated group (TIL), DRIVe US tax consolidated group and the TUSAH US tax consolidated group. The entities in the TIL Australia tax consolidated group have entered into a TSA effective from 1 July 2018. The entities in the TIL Australia tax consolidated group have also entered into a TFA effective from 1 July 2018.

Under the TFA the wholly-owned entities fully compensate TIL for any current tax payable assumed and are compensated by TIL for any current tax receivable and deferred tax assets relating to tax losses. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amount receivable/payable under the TFA is calculated at the end of the financial year for each wholly-owned entity. TIL determines and communicates the amount payable / receivable to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

Transurban DRIVe tax group

Transurban DRIVe Holdings LLC (TDH) is the head company of the DRIVe tax group. The DRIVe tax group is consolidated for US tax purposes in the sense that the 100% subsidiaries of TDH have elected to be treated as disregarded entities for US tax purposes. This treatment means that those entities are ignored for US tax purposes and that TDH, as head entity, carries any tax liability or benefits arising in the group. The DRIVe tax group owns membership interests in the TC partnership and includes its share of the TC partnerships' profits or losses in its US tax return.

B7 Income tax (continued)

Transurban (USA) Holdings tax consolidated group

Transurban (USA) Holdings LLC (TUSAH) is the head company of the TUSAH tax consolidated group. The TUSAH tax consolidated group contains the entities that are responsible for employment and providing services to the Group's North America operations. The TUSAH tax consolidated group owns membership interests in TC and includes its share of the TC partnerships' profits or losses in its US tax return.

Concession A25 LP

Concession A25 LP (A25 LP) is treated as a partnership for tax purposes and is the main operating entity of the A25 Group. The partners of A25 LP includes its share of A25 LP's profits or losses in its Canadian tax return.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

KEY ESTIMATE AND JUDGEMENT

The Group is subject to income taxes in Australia, the United States and Canada. Significant judgement is required in determining the provision for income taxes. There are various transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for tax audit issues based on whether it is anticipated that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilised. However, the utilisation of tax losses also depends on the ability of the Group to satisfy certain tests at the time the losses are recouped. In the United States, the Group has utilised all tax losses relating to periods prior to 30 June 2018 which were subject to a 20 year expiration. All tax losses relating to periods post 30 June 2018 are generally carried forward indefinitely, subject to an 80 per cent utilisation limit on taxable income in any given year.

In Canada tax losses generally expire after a 20 year period. Management have reviewed forecast taxable profits including the potential impact of COVID-19 and have recognised deferred tax assets in relation to tax losses.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B8 Working capital

The Group's working capital balances are summarised as follows:

	Note	2021 $M	2020 $M
Current assets			
Cash and cash equivalents		4,285	2,349
Trade and other receivables			
Prepayments		283	213
Trade receivables		145	132
Other receivables		116	45
Concession financial asset	B18	28	27
		572	**417**
Current liabilities			
Trade and other payables		(397)	(485)
		(397)	**(485)**
Net working capital		**4,460**	**2,281**

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. All cash balances are interest bearing.

The amount shown in cash and cash equivalents includes $87 million not available for general use as at 30 June 2021 (2020: $625 million) of which $24 million (2020: $566 million) belongs to TIL. This comprises amounts required to be held in a construction account, maintenance and funding reserves and prepaid tolls.

Prepayments

From time to time the Group makes advance payments to its Design and Construct (D&C) subcontractors, not necessarily stipulated in the D&C subcontract itself, to facilitate the progression of its construction projects. Included within current prepayments as at 30 June 2021 are advance payments of $253 million (2020: $190 million) to the West Gate Tunnel Project D&C subcontractor. The $190 million advance payment made in FY20 has been included within non-current trade and other receivables in the balance sheet as management expects to realise the asset beyond 12 months from 30 June 2021. Advance payments to the West Gate Tunnel D&C subcontractor have been classified as payments for intangible assets within investing activities of the Group's consolidated statement of cash flows.

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components in which case they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Trade receivables are generally due for settlement no more than 30 days from revenue recognition.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime of expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of toll revenue over historical periods and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The Group has identified Gross Domestic Product (GDP) and the unemployment rate of the countries in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 30 June 2021, the expected loss rates incorporate forward-looking information about the impacts of COVID-19 and the initiatives implemented by the Group to support customers experiencing social and financial hardship for a range of reasons. Such forward-looking information reflects management's estimate based on the information available as at 30 June 2021.

B8 Working capital (continued)

Trade receivables (continued)

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables:

2021

	Current	Up to 90 days past due	More than 90 days past due	Total
Expected loss rate	2%	4%	67%	NA[1]
Gross carrying amount ($M)	117	22	27	166
Loss allowance ($M)	(2)	(1)	(18)	(21)

2020

	Current	Up to 90 days past due	More than 90 days past due	Total
Expected loss rate	3%	25%	58%	NA[1]
Gross carrying amount ($M)	115	16	19	150
Loss allowance ($M)	(3)	(4)	(11)	(18)

1. NA—not applicable

The closing loss allowances for trade receivables reconciles to the opening loss allowance as follows:

	2021 $M	2020 $M
Opening loss allowance	**18**	**12**
Increase in loss allowance recognised in the profit and loss during the year	5	7
Receivables written off during the year as uncollectible	(2)	(1)
Closing loss allowance	**21**	**18**

As at 30 June 2021, the expected loss rate and loss allowance is elevated relative to historical periods prior to the onset of COVID-19. This is in line with management's estimates of COVID-19 impacts and other macroeconomic factors that are expected to impact the ability of customers to settle receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for an extended period.

Other financial assets at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Other financial assets at amortised cost include concession financial assets, other receivables and loan receivables at call recorded within trade and other receivables.

Consistent with the assessment following the onset of COVID-19 at 30 June 2020, as at 30 June 2021, management have assessed the impacts arising from COVID-19 and do not consider there to be evidence of a significant increase in credit risk since initial recognition of these balances. This is mainly due to there being no significant change in the nature of or the collectability of these balances. The loss allowance for other financial assets continues to be limited to 12 months of expected losses. These balances continue to have low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The loss allowance for other financial assets is $nil (2020: $9 million), following the write off of $9 million in other financial assets in the year ended 30 June 2021.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

Security holder outcomes

B9 Earnings per stapled security

Reconciliation of earnings used in calculating earnings per security

	2021	2020
Profit/(loss) attributable to ordinary security holders of the stapled group ($M)		
Continuing operations	(256)	(58)
Discontinued operations	3,559	(53)
Total	**3,303**	**(111)**
Weighted average number of securities (M)	2,737	2,725
Basic and diluted earnings per security attributable to the ordinary security holders of the stapled group (cents)		
Continuing operations	(9.4)	(2.1)
Discontinued operations	130.0	(2.0)
Total	**120.6**	**(4.1)**

B10 Dividends/distributions and free cash

	Total $M	Paid in cash $M	Settled in securities $M	Cents	Date paid/payable
Dividends/distributions payable by the Group					
Declared 24 June 2021[1]					
Franked THL	27	–	–	1.0	
Partly franked THT	561	–	–	20.5	
	588	**–**	**–**	**21.5**	**23 August 2021**

Dividends/distributions paid by the Group

	Total $M	Paid in cash $M	Settled in securities $M	Cents	Date paid/payable
2021					
Declared 23 December 2020[1]					
Franked THL	–	–	–	–	
Unfranked THT	411	392	19	15.0	
	411	**392**	**19**	**15.0**	**16 February 2021**
Declared 22 June 2020[2]					
Franked THL	–	–	–	–	
Unfranked THT	437	426	11	16.0	
	437	**426**	**11**	**16.0**	**14 August 2020**
Total	**848**	**818**	**30**	**31.0**	
2020					
Declared 3 December 2019[2]					
Franked THL	55	53	2	2.0	
Unfranked THT	792	764	28	29.0	
	847	**817**	**30**	**31.0**	**14 February 2020**
Declared 21 May 2019					
Franked THL	53	52	1	2.0	
Unfranked THT	749	726	23	28.0	
	802	**778**	**24**	**30.0**	**9 August 2019**
Total	**1,649**	**1,595**	**54**	**61.0**	

1. Total declared FY21 was $999 million.

2. Total declared FY20 was $1,284 million.

B10 Dividends/distributions and free cash (continued)

Distribution policy and free cash calculation

The Group typically aligns distributions with free cash generated, however the distributions declared during FY21 were in line with free cash generated for the 12 months ended 30 June 2021 excluding capital releases. The Group calculates free cash as follows:

	2021 $M	2020 $M
Cash flows from operating activities	**893**	**1,131**
Add back transaction and integration costs[1]	30	7
Add back payments for maintenance of intangible assets	88	135
Add capital releases from 100% owned assets	–	212
Less debt amortisation of 100% owned assets[2]	(10)	(12)
Less cash flow from operating activities related to non-100% owned entities	(376)	(426)
Less allowance for maintenance of intangible assets for 100% owned assets[3]	(78)	(88)
Adjust for distributions and interest received from non-100% owned entities		
M1 Eastern Distributor distributions	54	28
M5 West dividends and term loan note interest[2]	–	32
M5 pro-forma adjustment as if 100% ownership acquired 1 July 2019[4]	–	33
Transurban Queensland distributions and shareholder loan note payments	165	161
NWRG distributions and shareholder loan note payments	170	224
STP JV distributions and shareholder loan note payments	342	39
Free cash[5]	**1,278**	**1,476**
Weighted average securities on issue (millions)[6]	**2,737**	**2,734**
Free cash per security (cents)—weighted average securities	**46.7**	**54.0**

1. *For the year ended 30 June 2021, transaction and integration costs are comprised of transaction costs paid relating to the Group's disposal of 50% of its interest in TC of $25 million and integration costs paid in relation to M5 West of $5 million. Included within TC transaction costs is withholding tax of $7 million, however the remaining income tax payable in connection with the transaction has not been paid as at 30 June 2021. For the year ended 30 June 2020, transaction and integration costs related to the acquisition of M5 and the integration of A25.*
2. *From the date of the WestConnex acquisition, debt amortisation from M5 West has been added back to this figure due to the M5 West concession arrangement being transferred to the WestConnex ownership consortium (Transurban proportional share 25.5%) at the end of the current M5 West concession agreement in 2026. Debt amortisation of 100% owned assets has been adjusted by $85 million (2020: $61 million). M5 West dividends and term-loan notes interest received of $32 million have been adjusted for debt amortisation of $13 million for the period 1 July 2019 to 29 October 2019.*
3. *Includes allowance for maintenance of intangible assets classified within discontinued operations and tag purchases.*
4. *A pro-forma adjustment was made to reflect 100% ownership of M5 West as if the acquisition took place on 1 July 2019. This adjustment primarily reflects the non-controlling interests in operating cash flows from 1 July through to financial close. This is due to the purchase price to acquire the remaining minority interests being based on a 1 July 2019 acquisition date, with available cash having been previously distributed to shareholders and in lieu of the final purchase price being reduced for distributions paid to minority interests between 1 July 2019 and 30 October 2019.*
5. *Free cash for the year ended 30 June 2021 includes $278 million capital release from STP JV. Free cash for the year ended 30 June 2020 includes $320 million in capital releases (Transurban Queensland $33 million; NWRG $75 million; 100% owned assets $212 million).*
6. *The weighting applied to securities is based on their eligibility for distributions during the year and consequently can be different to weighted average securities calculated in Note B9 Earnings per stapled security.*

Franking credits

	2021 $M	2020 $M
Franking credits available for subsequent periods based on a tax rate of 30% (2020: 30%)	115	118

Franking credits available for subsequent periods relate to Airport Motorway Holdings Pty Ltd $75 million (2020: $101 million) and Transurban Holdings Limited $40 million (2020: $17 million).

Distribution provision

A provision for distribution is recognised for any distribution declared and authorised on or before the end of the reporting period, but not distributed by the end of the reporting period. These distributions are provided for once they are approved by the Board, are announced to equity holders and are no longer at the discretion of the entity.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B10 Dividends/distributions and free cash (continued)

Distribution provision (continued)

Movements in distribution provision

Movements in the distribution provision during the financial year are set out below:

	Distribution to security holders $M	Distributions to non-controlling interest—other $M	Total $M
Balance at 1 July 2020	**437**	**39**	**476**
Additional provision recognised	999	90	1,089
Amounts paid	(818)	(90)	(908)
Amounts reinvested	(30)	–	(30)
Balance at 30 June 2021	**588**	**39**	**627**
Balance at 1 July 2019	**802**	**39**	**841**
Additional provision recognised	1,284	87	1,371
Amounts paid	(1,595)	(87)	(1,682)
Amounts reinvested	(54)	–	(54)
Balance at 30 June 2020	**437**	**39**	**476**

Capital and borrowings

B11 Contributed equity

	2021 $M	2020 $M
Fully paid stapled securities	2,929	2,919

Stapled securities

Stapled securities are classified as equity and entitle the holder to participate in distributions and share in the proceeds upon winding up of the Group in proportion to the number of securities held. Every holder of a stapled security present at a meeting, in person or by proxy, is entitled to one vote. The issued units of the Group are made up of a parcel of stapled securities, each parcel comprising one share in THL, one unit in THT and one share in TIL. The individual securities comprising a parcel of stapled securities cannot be traded separately.

Other contributed equity units attributable to security holders of the Group relating to THT and TIL of $16,527 million and $599 million respectively (2020: $16,504 million and $595 million respectively) is included within non-controlling interests that relate to THT and TIL. Refer to Note B22.

B12 Reserves

	Cash flow hedges $M	Cost of hedging $M	Share based payments $M	Foreign currency translation $M	Transactions with non-controlling interests $M	Total $M
Balance at 1 July 2020	**(236)**	**–**	**2**	**47**	**(304)**	**(491)**
Revaluation—gross	104	6	(1)	(11)	–	98
Deferred tax	(31)	(2)	–	3	–	(30)
Transactions with non-controlling interests	–	–	–	–	6	6
Gains reclassified on disposal of subsidiary, net of tax	–	–	–	(40)	–	(40)
Balance at 30 June 2021	**(163)**	**4**	**1**	**(1)**	**(298)**	**(457)**
Balance at 1 July 2019	**(190)**	**–**	**3**	**44**	**(6)**	**(149)**
Revaluation—gross	(66)	–	(1)	4	–	(63)
Deferred tax	20	–	–	(1)	–	19
Transactions with non-controlling interests	–	–	–	–	(298)	(298)
Balance at 30 June 2020	**(236)**	**–**	**2**	**47**	**(304)**	**(491)**

Nature of reserves	Purpose of reserves
Cash flow hedges	Used to record gains or losses on cash flow hedging instruments (to the extent these are part of an effective hedge relationship), which are used by the Group to mitigate the risk of movements in exchange rates and interest rates. Amounts are reclassified to the profit and loss when the transaction to which the hedge is linked (such as the payment of interest) affects the profit and loss. Amounts accumulated in the cash flow hedges reserve are reclassified to the profit and loss if hedge accounting is discontinued or when a subsidiary to which the reserve relates to is disposed of.
Cost of hedging	Used to record changes in the fair value of our hedging instruments attributable to movements in currency basis spread and the time value of options (where these elements are excluded from the designated hedge relationship). Amounts accumulated in the cost of hedging reserve are reclassified to the profit and loss if hedge accounting is discontinued.
Share based payments	Used to recognise the grant date fair value of securities issued to employees and deferred securities granted to employees but not yet vested.
Foreign currency translation	Exchange differences arising on translation of the United States and Canadian operations of the Group are recognised in this reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.
Transactions with non-controlling interests	The Group uses the economic entity approach when accounting for transactions with non-controlling interests.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B13 Net finance costs

	Note	2021 $M	2020 $M
Finance income			
Interest income on financial assets at amortised cost		19	24
Unwind of discount and remeasurement of financial assets at amortised cost		16	17
Interest income on bank deposits held at amortised cost		8	17
Income from concession financial asset	B18	23	25
Unwind of discount and remeasurement of liabilities—promissory and concession notes		–	13
Movement in impairment provisions on related party receivables		3	–
Total finance income		**69**	**96**
Finance costs			
Interest and finance charges paid/payable		(758)	(762)
Net unrealised remeasurement loss attributable to derivative financial instruments		(54)	(1)
Unwind of discount and remeasurement of liabilities—maintenance provision		(34)	(41)
Unwind of discount and remeasurement of liabilities—construction obligation	B20	(41)	(24)
Unwind of discount and remeasurement of liabilities—promissory and concession notes		(23)	–
Unwind of discount and remeasurement of liabilities—lease liabilities	B31	(6)	(6)
Unwind of discount and remeasurement of liabilities—other liabilities		(6)	(14)
Movement in impairment provisions on related party receivables		–	(1)
Net foreign exchange losses		(17)	(23)
Total finance costs		**(939)**	**(872)**
Net finance costs from continuing operations		**(870)**	**(776)**

Borrowing cost capitalised to assets under construction

In addition to the net finance costs from continuing operations (shown above) that are included in the profit and loss, $55 million (2020: $41 million) of financing costs have been capitalised and included in the carrying value of assets under construction.

Unrealised remeasurement loss attributable to derivative financial instruments

The Group uses derivative financial instruments in the normal course of business to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. Excluding borrowings held in foreign currencies that hedge the Group's investment in US and Canadian operations, the Group has entered into cross-currency interest rate swaps that hedge 100% of its economic exposure to borrowings held in foreign currencies. The cross-currency interest rate swap contracts hedge the risk of unfavourable foreign exchange rate movements on borrowings denominated in foreign currencies. Under the swap contracts, the Group receives foreign currency at fixed rates and pays AUD at either fixed or floating rates.

At the end of each reporting period the Group remeasures the cross-currency interest rate swap contracts at fair value and applies hedge accounting. The periodic remeasurement of the cross-currency interest rate swap contracts to fair value includes an element of foreign currency basis spread. For those cross-currency interest rate swap contracts that designate the entire fair value of the cross-currency interest swap contract as the hedging instrument (including the foreign currency basis spread component), this can result in ineffectiveness in the hedging relationship that is recognised in the profit and loss.

In the year ended 30 June 2021 the Group observed an appreciation in the AUD relative to other foreign currencies, which resulted in a change in the fair value of these cross-currency interest rate swaps (including the foreign currency basis spread), as outlined at Note B15. While the Group has removed the cash flow risk of unfavourable exchange rate movements through the use of these swaps, hedge accounting ineffectiveness is the primary driver of the net unrealised remeasurement loss attributable to derivative financial instruments for the year ended 30 June 2021.

B14 Borrowings

	2021 $M	2020 $M
Current		
Capital markets debt	250	1,117
U.S. private placement	216	228
Term debt	284	208
Total current borrowings	**750**	**1,553**
Non-current		
Capital markets debt	11,088	11,408
U.S. private placement	2,828	3,281
Term debt	2,884	3,177
Transportation Infrastructure Finance and Innovation Act (TIFIA)	–	1,370
Shareholder loan notes	281	289
Total non-current borrowings	**17,081**	**19,525**
Total borrowings	**17,831**	**21,078**

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit and loss as finance income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs are recognised as expenses in the period in which they are incurred, except to the extent to which they relate to the construction of qualifying assets, in which case specifically identifiable borrowing costs are capitalised into the cost of the asset. Borrowing costs include interest on short-term and long-term borrowings.

Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the effective period of the funding.

B14 Borrowings (continued)

Financing arrangements and credit facilities

During the reporting period Transurban executed a number of financing activities including:

August 2020

- Transurban closed the refinancing of a A$139 million letter of credit facility for a further 1 year.

September 2020

- Transurban reached financial close on US$900 million (A$1,239 million) 10.5 year issuance in the US 144A market.

October 2020

- Eastern Distributor reached financial close on A$302 million bank debt facility with a tenor of 3.25 years.

December 2020

- Transurban issued a US$3 million (A$4 million) letter of credit facility.

April 2021

- Transurban Group reached financial close on A$1,000 million bank debt facility with a tenor of 2.5 years.
- Cross City Tunnel reached financial close on A$282 million bank debt facility with a tenor of 5 years.

May 2021

- Transurban Queensland reached financial close on A$300 million 10.25 year issuance under the Australian Medium Term Note programme.
- Transurban Queensland reached financial close on CHF 190 million (A$269 million) 10.5 year issuance under the Swiss (Euro) Medium Term Note programme.

During the reporting period, the equity accounted investments of the Group executed the following financing activities:

December 2020

- WestConnex reached financial close on A$4,220 million bank debt, comprising A$3,000 million of term bank debt facilities with tenors of 3, 5 and 7 years, and a A$1,220 million 2 year bridge facility.

March 2021

- WestConnex reached financial close on A$650 million AMTN bond issuance with a tenor of 10 years.

June 2021

- WestConnex reached financial close on US$1,450 million (A$1,752 million) US Private Placement (USPP) issuance, with tenors of 10 years, 12 years, 15 years and 20 years.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B14 Borrowings (continued)

Financing arrangements and credit facilities (continued)

Credit facilities are provided as part of the overall debt funding structure of the Group. The drawn component of each facility is shown below:

	Maturity	Carrying value 2021 $M	2020 $M
Working capital facilities			
AUD 2,650m facility (2020: 1,650m)	Jul 2021[1]	–	100
Capital markets debt			
EMTN EUR 500m[2]	Jul 2020	–	817
EMTN EUR 600m	Sep 2024	950	982
EMTN EUR 500m	Aug 2025	791	818
US 144A USD 550m	Feb 2026	731	802
US 144A USD 550m	Mar 2027	731	802
EMTN NOK 750m	Jul 2027	116	112
EMTN EUR 500m	Mar 2028	791	818
EMTN CAD 650m	Nov 2028	698	693
EMTN EUR 600m	May 2029	950	981
EMTN EUR 750m	Apr 2030	1,187	1,226
US 144A USD 900m	Mar 2031	1,197	–
EMTN EUR 350m	Jul 2034	554	572
Net capitalised borrowing costs		(69)	(73)
U.S. private placement			
Aug 2005—Tranche C USD 157m[2]	Aug 2020	–	228
Nov 2006—Tranche C USD 121m (plus accreted interest)	Nov 2021	216	237
Nov 2006—Tranche D USD 50m (plus accreted interest)	Nov 2026	89	98
Total corporate debt, net of capitalised borrowing costs		**8,932**	**9,213**
Non-recourse debt			
Capital markets debt			
Airport Motorway Trust—Domestic bond AUD 300m[2]	Dec 2020	–	300
Transurban Queensland Finance—Domestic bond AUD 250m	Dec 2021	250	250
Transurban Queensland Finance—EMTN CHF 200m	Jun 2023	288	306
Transurban Queensland Finance—Domestic bond AUD 200m	Oct 2023	200	200
Transurban Queensland Finance—Domestic bond AUD 200m	Dec 2024	200	200
Transurban Queensland Finance—EMTN CHF 200m	Dec 2025	288	306
Transurban Queensland Finance—EMTN CHF 175m	Nov 2026	253	268
Transurban Queensland Finance—EMTN Reg S USD 500m	Apr 2028	665	729
Transurban Queensland Finance – Domestic bond AUD 300m	Aug 2031	300	–
Transurban Queensland Finance - EMTN CHF 190m	Nov 2031	274	–
95 Express Lanes—Private activity bonds USD 72m	Jul 2034[3]	–	105
95 Express Lanes—Private activity bonds USD 107m	Jul 2034[3]	–	156
495 Express Lanes—Private activity bonds USD 225m	Jun 2038	–	328
95 Express Lanes—Private activity bonds USD 170m	Jan 2040[3]	–	248
95 Express Lanes—Private activity bonds USD 126m	Jan 2040[3]	–	184
95 Express Lanes—Private activity bonds USD 79m	Jan 2044[3]	–	115
95 Express Lanes—Private activity bonds USD 183m	Jul 2049[3]	–	267
Net capitalised borrowing costs[4]		(7)	13

1. *This represents the contractual maturity of the drawn component of the A$825 million 3-year tranche of the A$1,650 million syndicate bank debt facility as at 30 June 2020. The 3 year tranche matures in November 2022.*
2. *These facilities were repaid during FY21.*
3. *495 Express Lances and 95 Express Lanes are part of TC. During the period, the Group divested 50% of its equity interest in TC (refer to Note B24). Maturity dates presented represent final maturity.*
4. *Net capitalised borrowing costs paid as at 30 June 2020 are net of $42 million worth of private activity bonds (PABs) premiums, of which $22 million were received during the year ended 30 June 2020.*

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B14 Borrowings (continued)

Financing arrangements and credit facilities (continued)

	Maturity	Carrying value 2021 $M	Carrying value 2020 $M
Non-recourse debt (continued)			
U.S. private placement			
Transurban Cardinal Holdings—Nov 2018 CAD 200m	Feb 2023	215	213
Transurban Queensland Finance—Sep 2015—Tranche A USD 155m	Sep 2025	206	226
Transurban Queensland Finance—Dec 2016—Tranche A USD 130m	Dec 2026	173	190
Transurban Queensland Finance—Dec 2016—Tranche D AUD 35m	Dec 2026	35	35
Transurban Queensland Finance—Sep 2015—Tranche B USD 230m	Sep 2027	306	335
Transurban Queensland Finance—Dec 2016—Tranche B USD 225m	Dec 2028	299	328
Transurban Queensland Finance—May 2019—Tranche A AUD 30m	May 2029	30	30
Transurban Queensland Finance—May 2019—Tranche C USD 144m	May 2029	191	210
Transurban Queensland Finance—Sep 2015—Tranche C USD 256m	Sep 2030	341	373
Transurban Queensland Finance—Sep 2015—Tranche D AUD 70m	Sep 2030	70	70
Transurban Queensland Finance—May 2019—Tranche D USD 245m	May 2031	326	357
Transurban Queensland Finance—Dec 2016—Tranche C USD 78m	Dec 2031	104	114
Transurban Queensland Finance—Dec 2016—Tranche E AUD 75m	Dec 2031	75	75
Transurban Queensland Finance—May 2019—Tranche B AUD 40m	May 2034	40	40
Transurban Queensland Finance—May 2019—Tranche E USD 180m	May 2034	239	263
Transurban Queensland Finance—Jan 2017—Tranche F AUD 100m	Jan 2035	100	100
Net capitalised borrowing costs		(11)	(13)
Term debt			
M5 West—Term debt AUD 272m[3]	Dec 2020	–	42
Cross City Tunnel Trust—Term debt AUD 280m[1]	Aug 2021	–	280
Airport Motorway Trust—Term debt AUD 226m	Mar 2022	166	186
Transurban Queensland Finance—Capex facility AUD 7m[2]	Aug 2022	7	232
M5 West—Term debt AUD 180m[3]	Dec 2022	137	180
Concession A25 LP—Term debt CAD 383m[3]	Feb 2023	385	395
Airport Motorway Trust—Term debt AUD 302m[3]	Jan 2024	290	–
Lane Cove Tunnel Trust—Term debt AUD 326m	Oct 2024	326	326
Lane Cove Tunnel Trust—Term debt AUD 60m	May 2025	60	60
M5 West—Term debt AUD 275m	Jun 2025	275	275
Cross City Tunnel Trust—Term debt AUD 282m	Apr 2026	282	–
Lane Cove Tunnel Trust—Term debt AUD 200m	May 2028	200	200
Transurban Queensland Finance—Term debt AUD 200m	Apr 2030	200	200
Hills Motorway Trust—Term debt AUD 475m	Apr 2030	475	475
Lane Cove Tunnel Trust—Term debt AUD 40m	May 2031	40	40
Hills Motorway Trust—Term debt AUD 340m	Apr 2035	340	340
Virginia Transportation Infrastructure Bank - Facility Limit USD $45m (plus accreted interest)	Dec 2047	–	66
Net capitalised borrowing costs		(15)	(12)

1. This facility was refinanced during FY21.

2. This facility was refinanced during FY20. As part of refinancing activities in FY21, the facility limit was reduced from $500m to $185m.

3. These facilities require principal repayments throughout their life, with $118 million due within one year of 30 June 2021 (2020: $108 million), classified as current borrowings.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B14 Borrowings (continued)

Financing arrangements and credit facilities (continued)

	Maturity	Carrying value 2021 $M	Carrying value 2020 $M
Non-recourse debt (continued)			
TIFIA loans			
495 Express Lanes—Facility limit USD 589m (plus accreted interest)	Oct 2047[1,2]	–	998
95 Express Lanes—Facility limit USD 300m (plus accreted interest)	Jan 2048[1,2]	–	372
Shareholder loan notes			
Loan from Transurban Queensland consortium partners—AUD 281m	Dec 2048	281	281
Loan from Transurban Queensland consortium partners—AUD 38m[3]	Jul 2053	–	8
Total non-recourse debt, net of capitalised borrowing costs		**8,899**	**11,865**
Total borrowings		**17,831**	**21,078**

1. 495 Express Lances and 95 Express Lanes are part of TC. During the period, the Group divested 50% of its equity interest in TC (refer to Note B24). Maturity dates presented represent final maturity.

2. These facilities require principal repayments throughout their life, with the first of such payment due in 2033 for 495 Express Lanes and 2035 for 95 Express Lanes.

3. These shareholder loan notes were repaid during FY21.

Working capital facilities

- The corporate facilities are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited; and
- The Transurban Queensland Finance facility is secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets.

Capital markets debt

- A corporate secured EMTN programme was established in October 2011 with a program limit of USD2 billion, which increased to USD5 billion in May 2015 and to USD10 billion in March 2020. Under the program the Group may from time to time issue notes denominated in any currency. These facilities are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited;
- The corporate US 144A notes are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited;
- The Transurban Queensland Finance domestic bonds are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets;
- A Transurban Queensland Finance EMTN program was established in March 2016 with a program limit of USD2 billion. Under the programme, Transurban Queensland Finance may from time to time issue notes denominated in any currency. These notes are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets;
- The 95 Express Lanes Private Activity Bonds (PABs), including the PABs issued in relation to the 395 Express Lanes and Fredericksburg Extension, are secured against the rights of 95 Express Lanes LLC and its assets; and
- The 495 Express Lanes PABs are secured against the rights of Capital Beltway Express LLC and its assets.

U.S. private placement

- Corporate U.S. private placement facilities are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited;
- The Transurban Queensland Finance U.S private placement facilities are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets; and
- The Cardinal Hold Co Canadian notes was a Private Placement issuance and are secured against the rights of Transurban Cardinal Holdings Ltd.

B14 Borrowings (continued)

Term debt

- The Airport Motorway facilities are secured against the respective rights of Airport Motorway Limited, the Airport Motorway Trust and their assets;
- The Hills Motorway Trust facilities are secured against the respective rights of Hills Motorway Limited, Hills Motorway Trust and their assets;
- The Lane Cove Tunnel facility is secured against the respective rights of LCT-MRE Pty Limited, LCT-MRE Trust and their assets;
- The Cross City Tunnel facility is secured against the respective rights of Transurban CCT Pty Limited, Transurban CCT Trust and their assets;
- The M5 West facility is secured against the respective rights of Interlink Roads Pty Limited and their assets;
- The Transurban Queensland Finance facilities are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets; and
- The A25 credit facility is secured against the respective rights of Concession A25 Funding Limited and Concession A25, L.P. and their assets.

Transportation Infrastructure Finance and Innovation Act (TIFIA) – FY20

- The 495 Express Lanes TIFIA facility is secured against the rights of Capital Beltway Express LLC and its assets; and
- The 95 Express Lanes TIFIA facility is secured against the rights of 95 Express Lanes LLC and its assets.

Virginia Transportation Infrastructure Bank (VTIB) – FY20

- The 95 Express Lanes VTIB facility is secured against the rights of 95 Express Lanes LLC and its assets.

Shareholder loan notes

- The loans to Transurban Queensland from the acquisition consortium partners are unsecured.

Letters of credit and corporate credit facilities

		2021 $M		2020 $M	
	Maturity	Facility amount	Amount issued	Facility amount	Amount issued
Letter of credit facility	Jan 2021	–	–	139	139
Letter of credit facilities[1]	Dec 2021	118	118	55	55
Letter of credit facility[1]	Apr 2022	199	117	219	123
Working capital facility[3]	Aug 2022	3	3	3	3
Letter of credit facility	Nov 2022	55	43	55	43
General credit facility	Dec 2022	6	5	6	5
Letter of credit facilities[2]	Dec 2022	154	98	150	100
Letter of credit facility	Feb 2023	13	13	13	13
Letter of credit facility	Dec 2023	–	–	92	92
Total		**548**	**397**	**732**	**573**

1. These facilities were refinanced during FY21.

2. This includes new LC facility of $4 million

3. Transurban Queensland $3 million LC refinanced in FY20. The $3 million drawn amount reflects the letters of credit issued as part of a working capital facility.

There are no claims against any of the issued letters of credit and therefore no liability is recorded as at 30 June 2021 (2020: $nil).

Covenants

A number of the Group's consolidated borrowings include financial covenants, which are listed below. There have been no breaches of any of these covenants during the year.

The Group monitors covenants by applying forecast cash flows to ensure ongoing compliance with its obligations. This enables capital management decisions to be made at the asset level (including distributions) and considers any management actions that can be undertaken should actual cash flows not perform to budget. Refer to the Group's going concern note (Note B3) for disclosure concerning forecast debt covenants that consider the impact of COVID-19.

Corporate and non-recourse debt covenants are calculated on a trailing 12 month basis. A trailing 12 month metric also enables management action to be taken swiftly to mitigate the risks of any covenants breaches.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B14 Borrowings (continued)

Corporate Debt

Covenant	Covenant breach threshold
Senior interest Coverage Ratio	Less than 1.25 times
Group Market Capitalisation	Gearing must not exceed 60%[1]
CityLink Interest Coverage Ratio	Less than 1.1 times

1. Based on the balance sheet as at 30 June 2021, the Group's average closing security price over 20 consecutive business days would need to be below $3.83 (2020: $5.01) per security to trigger this clause.

Non-Recourse Debt

Covenant	Covenant breach threshold
A25 Interest Coverage Ratio	Less than 1.05 times
M5 West Debt Service Cover Ratio	Less than 1.10 times
Airport Motorway Trust Interest Coverage Ratio	Less than 1.15 times
Hills Motorway Trust Debt Service Coverage Ratio	Less than 1.10 times
495 Express Lanes Senior Debt Service Coverage Ratio[1]	Less than 1.15 times
Lane Cove Tunnel Trust Interest Coverage Ratio	Less than 1.15 times
Cross City Tunnel Trust Interest Coverage Ratio	Less than 1.15 times
Transurban Queensland Finance Interest Coverage Ratio	Less than 1.20 times
Transurban Cardinal Holdings Senior Debt Service Coverage Ratio	Less than 1.30 times
95 Express Lanes Senior Debt Service Coverage Ratio[1]	Less than 1.45 times

1. 495 Express Lanes and 95 Express Lanes are part of TC. During the period, the Group divested 50% of its equity interest in TC (refer to Note B24).

B15 Derivatives and financial risk management

Derivatives

	2021 $M		2020 $M	
	Current	Non-current	Current	Non-current
Assets				
Interest rate swap contracts—cash flow hedges	–	28	–	–
Cross-currency interest rate swap contracts—cash flow hedges	–	117	71	497
Total derivative financial instrument assets	**–**	**145**	**71**	**497**
Liabilities				
Interest rate swap contracts—cash flow hedges	2	213	3	435
Forward exchange contracts—cash flow hedges	–	–	18	–
Cross-currency interest rate swap contracts—cash flow hedges	–	484	75	197
Total derivative financial instrument liabilities	**2**	**697**	**96**	**632**

Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging transaction the Group documents the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in this note. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months.

B15 Derivatives and financial risk management (continued)

Accounting policy (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss.

Amounts accumulated in equity are reclassified to the profit and loss in the periods when the hedged item affects the profit and loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss.

The Group has chosen to exclude currency basis spread from its cash flow hedge relationships where the designated hedging instrument is a cross-currency interest rate swap entered into on or after 1 July 2020. Changes in currency basis spread on swaps entered into from 1 July 2020 are recognised through other comprehensive income in a separate cost of hedging reserve (refer to Note B12).

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss.

Gains and losses accumulated in equity are included in the profit and loss when the foreign operation is partially disposed or sold.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit and loss.

Hedging strategy and instruments used by the Group

The Group uses derivative financial instruments in the normal course of business in order to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. The Group's policies allow derivative transactions to be undertaken for the purpose of reducing risk and do not permit speculative trading. The instruments used by the Group are as follows:

Interest rate swap contracts—cash flow hedges

The Group uses interest rate swap contracts to manage the Group's exposure to variable interest rates related to borrowings. Interest rate swap contracts currently in place cover 100% (2020: 100%) of the variable debt held by the Group (excluding working capital facilities).

Forward exchange contracts—cash flow hedges

The Group currently uses forward exchange contracts to protect against exchange rate movements between the AUD and foreign currencies. The Group has hedged a portion of its USD and CAD interest commitments.

B15 Derivatives and financial risk management (continued)

Hedging strategy and instruments used by the Group (continued)

Cross-currency interest rate contracts—cash flow hedges

The Group has entered into cross-currency interest rate swap contracts to remove the risk of unfavourable exchange rate movements on borrowings held in foreign currencies. Under these contracts, the Group receives foreign currency at fixed rates and pays AUD at a fixed rate.

Offsetting financial assets and financial liabilities

Currently there is no right or basis to present any financial assets or financial liabilities on a net basis, and as such no financial assets or financial liabilities have been presented on a net basis in the Group's balance sheet at the end of the financial year.

Hedge of net investment in foreign entity

Transurban's investment in its US and Canadian based assets (TC in the US, A25 in Canada) act as a natural hedge against the exposure to foreign currency movements for a portion of the Group's USD denominated borrowings and CAD denominated borrowings. Exchange differences arising on the revaluation of these borrowings are recognised in the profit and loss in the separate financial statements of the relevant subsidiaries. In the Group financial statements these exchange differences are recognised in the foreign currency translation reserve in equity and will be transferred to the profit and loss when the Group disposes its interest in either the US or Canadian based assets.

During the period, the Group divested 50% of its equity interest in TC, which includes 495 Express Lanes and 95 Express Lanes (refer to Note B24). As a result of this transaction, the Group's net investment hedge of the US assets was discontinued, with $150 million in losses related to cumulative exchange differences on the revaluation of financial instruments and $190 million in cumulative gains related to exchange differences on the net assets of the US operations were transferred to the profit and loss as part of the gain on sale from the divestment. Refer to Note B24 for further information.

From the date of the change in control of TC and the recognition of the Group's remaining 50% interest in TC as an equity accounted investment, the Group has designated a new net investment hedge of its equity accounted investment in the US assets.

As at 30 June 2021, the Group has deferred $16 million in losses (2020: $163 million in losses) related to exchange differences on the revaluation of financial instruments and $15 million in gains (2020: $116 million in gains) related to exchange differences on the net assets of its US and Canadian assets.

Power Purchase Agreement

As at 30 June 2021 the Group has two 9 year 9 month Power Purchase Agreements (PPAs) with Sapphire Wind Farm and Banjo Wind Farm to support the NSW and WestConnex operations (excluding NWRG, M5 West and WestConnex M4-M5 Link), entered into on 31 January 2020 and 5 March 2020 respectively.

On 8 July 2021 the Group entered into a 4 year 6 month PPA with Coopers Gap Wind Farm to support Transurban Queensland's operations. The Group previously had a PPA with Lakeland Wind Farm to support its Transurban Queensland operations, however this is no longer in effect.

The PPAs operate as a 'contract for difference' (CfD) which is a derivative financial instrument, hence it is recorded on the balance sheet at fair value with movements recorded in the profit and loss. The CfD is measured as a level 3 financial instrument as the key inputs, the electricity spot prices, cannot be forecasted (using observable market data) for the duration of the contract. As at 30 June 2021, the Bango Wind Farm is not operational and the instrument's fair value is offset by its day 1 deferred gains/losses. Refer to fair value measurements section within this Note for further details.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risk management function is carried out centrally under the policies approved by the Board. The Group reviews operations actively to identify and monitor all financial risks and to mitigate these risks through the use of hedging instruments where appropriate. The Board is kept informed in a timely manner of any material exposures to financial risks.

The Group monitors continuously risk exposures over time through reviewing cash flow sensitivities, market analysis and ongoing communication within the Group. When measuring financial risk, the Group considers the positive and negative exposures, existing hedges and the ability to offset exposures.

B15 Derivatives and financial risk management (continued)

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk when future transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Foreign currency exposures are viewed as either investment exposures or operating exposures. The Group generally manages exposures from investments in foreign assets using foreign currency debt. The Group's policy is to ensure that, at any time, all known material operating exposures for the following twelve months are hedged using hedging instruments or are offset by drawing on foreign currency funds.

The Group uses hedging instruments such as cross-currency swaps, as well as natural hedges such as foreign currency-denominated operating exposures and foreign currency borrowings, to manage these exposures.

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

	2021 $M	2020 $M
Net investment in foreign operation—USD[1]		
Carrying amount	880	966
USD carrying amount	662	662
Hedge ratio	1:1	1:1
Increase/(decrease) in carrying amount of loan as a result of foreign currency movements	9	22
Increase/(decrease) in value of hedged item used to determine hedge effectiveness	27	27
Net investment in foreign operation—CAD		
Carrying amount	583	541
CAD carrying amount	544	507
Hedge ratio	1:1	1:1
Increase/(decrease) in carrying amount of loan as a result of foreign currency movements	5	(15)
Increase/(decrease) in value of hedged item used to determine hedge effectiveness	4	(12)

	2021 $M	2020 $M
Cross-currency interest rate swaps		
Carrying amount	(367)	296
Notional amount	11,320	10,417
Maturity dates	June 2023 to July 2034	August 2020 – July 2034
Hedge ratio	1:1	1:1
Change in discounted value of outstanding hedging instruments	(663)	201
Change in value of hedged item used to determine hedge effectiveness	719	(183)

1. During the reporting period, the Group divested 50% of its equity interest in TC, which resulted in the discontinuation of the previous net investment hedge of the US assets. From the date of the change in control of TC on 31 March 2021, the Group has designated a new net investment hedge of its equity accounted investment in the US assets.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B15 Derivatives and financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

Maturity profile—notional value of cross-currency interest rate swaps are as follows:

2021 $M	Less than 12 months	1–5 years	Over 5 years	Total notional amount
Cross-currency swaps (AUD:USD)	–	**205**	**3,505**	**3,710**
Average AUD-USD exchange rate	–	0.75	0.74	NA[1]
Average fixed interest rate[2]	–	5.5%	4.7%	NA[1]
Cross-currency swaps (AUD:EUR)	–	**1,100**	**2,200**	**3,300**
Average AUD-EUR exchange rate	–	0.71	0.61	NA[1]
Average fixed interest rate[2]	–	5.3%	4.3%	NA[1]
Cross-currency swaps (AUD:CHF)	–	**400**	**365**	**765**
Average AUD-CHF exchange rate	–	0.73	0.73	NA[1]
Average fixed interest rate[2]	–	4.5%	3.9%	NA[1]
Cross-currency swaps (AUD:NOK)	–	–	**750**	**750**
Average AUD-NOK exchange rate	–	–	6.42	NA[1]
Average fixed interest rate[2]	–	–	4.5%	NA[1]

2020 $M				
Cross-currency swaps (AUD:USD)	**(148)**	**–**	**2,810**	**2,662**
Average AUD-USD exchange rate	0.76	–	0.75	NA[1]
Average fixed interest rate[2]	3.2%	–	5.1%	NA[1]
Cross-currency swaps (AUD:EUR)	**500**	**600**	**2,700**	**3,800**
Average AUD-EUR exchange rate	0.71	0.72	0.63	NA[1]
Average fixed interest rate[2]	4.4%	5.4%	4.4%	NA[1]
Cross-currency swaps (AUD:CHF)	**–**	**200**	**375**	**575**
Average AUD-CHF exchange rate	–	0.72	0.74	NA[1]
Average fixed interest rate[2]	–	4.6%	4.5%	NA[1]
Cross-currency swaps (AUD:NOK)	**–**	**–**	**750**	**750**
Average AUD-NOK exchange rate	–	–	6.42	NA[1]
Average fixed interest rate[2]	–	–	4.5%	NA[1]

1. NA—Not applicable

2. Based on average fixed rate of cross currency swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

Effectiveness of hedging relationships designated are as follows:

2021 $M	Hedge losses/(gains) recognised in other comprehensive income	Hedge ineffectiveness recognised in profit and loss	Line item in profit and loss that includes hedge ineffectiveness	Amount reclassified from other comprehensive income to profit and loss	Line item in profit and loss for reclassification
Foreign currency risk	251	97	Net finance costs	5	Net finance costs

2020 $M					
Foreign currency risk	(270)	(30)	Net finance costs	(13)	Net finance costs

Exposure to foreign currency risk at the reporting date, denominated in the currency in which the risk arises are as follows:

					2021 Local $M					2020 Local $M
	USD	EUR	CAD	CHF	NOK	USD	EUR	CAD	CHF	NOK
Cash and cash equivalents	8	–	5	–	–	1	–	–	–	–
Net investment in foreign operation	2,057	–	544	–	–	809	–	507	–	–
Borrowings	(4,372)	(3,300)	(650)	(765)	(750)	(3,629)	(3,800)	(650)	(575)	(750)
Foreign exchange forwards	10	–	20	–	–	304	(4)	–	–	–
Cross-currency interest rate swaps	3,710	3,300	–	765	750	2,662	3,800	–	575	750
Net exposure	**1,413**	**–**	**(81)**	**–**	**–**	**147**	**(4)**	**(143)**	**–**	**–**

B15 Derivatives and financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

Sensitivity to exchange rate movements based on the translation of financial instruments held at the end of the period is as follows:

	2021 $M Movement in post-tax profit	2021 $M Increase/ (decrease) in equity	2020 $M Movement in post-tax profit	2020 $M Increase/ (decrease) in equity
AUD/USD				
+ 10 cents	(1)	(226)	–	(146)
- 10 cents	1	295	–	179
AUD/EUR				
+ 5 cents	–	(43)	–	(59)
- 5 cents	–	50	–	70
AUD/CAD				
+ 10 cents	(7)	(1)	(10)	(1)
- 10 cents	9	2	13	1
AUD/CHF				
+ 10 cents	–	(7)	–	(9)
- 10 cents	–	9	–	6
AUD/NOK				
+ 50 cents	–	(1)	–	(1)
- 50 cents	–	1	–	1

The Group re-values its foreign currency denominated borrowings each period using market spot rates and, where these borrowings have been appropriately hedged, defers these movements in the cash flow hedge reserve in equity. The volatility in the cash flow hedge reserve is caused mainly by fair value movements of the cross-currency interest rate swaps, which are affected by changes in forward Australian dollar/foreign currency exchange rates.

Interest rate risk

The Group's main exposure to interest rate risk arises from our borrowings and cash and cash equivalents. The Group manages the interest rate risk on our borrowings by entering into fixed rate debt facilities or by using interest rate swaps to convert floating rate debt to fixed interest rates.

The Group's policy is to hedge the interest rate exposure on drawn debt to between 80% and 100%, and to ensure compliance with any covenant requirements of our funding facilities. As at 30 June 2021, 100% (2020: 91%) of the Group's interest rate exposure on variable rate borrowings was hedged.

The effects of the interest rate related hedging instruments on the Group's financial position and performance are as follows:

Interest rate swaps	2021 $M	2020 $M
Carrying amount	(74)	(282)
Notional amount[1]	3,359	3,705
Maturity dates	February 2022 to January 2035	August 2020 – January 2035
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments	(158)	(71)
Change in value of hedged item used to determine hedge effectiveness	161	74

1. The notional amounts disclosed in the table above exclude $393 million (2020: $394 million) relating to interest rate swaps which are not hedge accounted. These notional amounts are however included in the net exposure to interest rate risk table. The notional amounts above also include $407 million (2020: $407 million) of forward starting swaps which are hedging the same underlying interest rate exposures and therefore not included in the net exposure to interest rate risk table. The notional amount of interest rate swaps hedging floating rate interest rate exposures relating to fixed-for-floating cross-currency swaps is also excluded (2021: $nil; 2020: $206 million).

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B15 Derivatives and financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Maturity profile—notional value of interest rate swaps are as follows:

2021 $M	Less than 12 months $M	1–5 years $M	Over 5 years $M	Total nominal amount $M
Interest rate swaps	166	1,978	1,215	3,359
Average fixed interest rate[1]	2.3%	1.7%	1.8%	–

2020 $M				
Interest rate swaps	528	1,635	1,542	3,705
Average fixed interest rate[1]	2.5%	2.5%	2.2%	–

1. Based on average fixed rate of interest rate swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

Effectiveness of hedging relationships designated are as follows:

2021 $M	Hedge loss recognised in other comprehensive income $M	Hedge ineffectiveness recognised in profit and loss $M	Line item in profit and loss that includes hedge ineffectiveness $M	Amount reclassified from other comprehensive income to profit and loss $M	Line item in profit and loss for reclassification $M
Interest rate risk	74	–	Net finance costs	–	Net finance costs

2020 $M					
Interest rate risk	277	2	Net finance costs	–	Net finance costs

As at the reporting date, the Group had the following cash balances, variable rate borrowings and interest rate swap contracts outstanding:

	2021 $M	2020 $M
Cash and cash equivalents	4,285	2,349
Floating rate borrowings	(3,343)	(3,818)
Interest rate swaps (notional principal amount)	3,345	3,486
Net exposure to interest rate risk	**4,287**	**2,017**

Sensitivity to interest rate movements based on variable rate cash balances, variable rate borrowings and interest rate swap contracts is as follows:

	Movement in post-tax profit and equity 2021 $M	2020 $M
Interest rates +100bps	43	20
Interest rates –100bps	(43)	(20)

B15 Derivatives and financial risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss. The Group has no significant concentrations of credit risk from operating activities, and has policies in place to ensure that transactions are made with commercial customers with an appropriate credit history. However, as an operator of large infrastructure assets, the Group is exposed to credit risk with its financial counterparties through entering into financial transactions in the ordinary course of business. These include funds held on deposit, cash investments and the market value of derivative transactions.

The Group assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. The Board approved policies ensure that higher limits are granted to higher rated counterparties. The Group also seeks to mitigate its total credit exposure to counterparties by only dealing with credit worthy entities, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through netting offsetting exposures, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

Credit exposures and compliance with internal credit limits are monitored daily. An International Swaps and Derivatives Association (ISDA) agreement must be in place between the Transurban dealing entity and the counterparty prior to executing any derivatives and netting provisions are included.

Liquidity risk

The Group maintains sufficient cash and undrawn facilities to maintain short term flexibility and enable the Group to meet financial commitments in a timely manner. The Group assesses liquidity over the short term (up to 12 months) and medium term (1 to 5 years) by maintaining accurate forecasts of operating expenses, committed capital expenditure, debt maturities and payments to security holders. Long term liquidity requirements are reviewed as part of the annual strategic planning process.

Short term liquidity is managed by maintaining a strategic level of liquidity at the corporate level of the Group. This reserve is based on the Group's forecast annual operating costs and certain risk exposure scenarios as maintained by the Group's strategic risk register, and is maintained as cash and undrawn facilities. The reserve has historically been maintained on a rolling 12 month basis. In light of lower revenue and cash flows observed as a consequence of COVID-19, forecasting is being performed more frequently to ensure the strategic liquidity reserve is being maintained to adequate levels. Medium term liquidity forecasting is maintained on a rolling five year horizon.

Existing cash reserves are sufficient to cover periods of negative cash flows, however some subsidiary assets adopted a conservative position on paying distributions to retain sufficient asset level liquidity.

Transurban Finance Company Pty Ltd, Transurban's corporate borrowing entity is currently forecast to maintain all required liquidity buffers for the Group as required under the Group's Treasury Policy.

Financing arrangements

The Group has access to the following undrawn borrowing facilities at the end of the reporting period:

	2021 $M	2020 $M
Floating rate		
Expiring within one year	–	280
Expiring beyond one year	2,853	3,090
	2,853	**3,370**

As at 30 June 2021, the Group has letter of credit facilities and general credit facilities in place with an undrawn capacity of $151 million (2020: $159 million). The facilities are committed for the duration of the facility and the undrawn portion cannot be withdrawn by the lenders.

B15 Derivatives and financial risk management (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities

The amounts disclosed in the following table are the contractual undiscounted cash flows of the Group's financial liabilities. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

2021 $M	**1 year or less**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount**
Trade payables	397	–	–	–	–	–	397	397
Borrowings	1,015	1,483	1,108	2,135	2,716	12,790	21,247	17,831
Interest rate swaps[1]	66	48	32	19	9	26	200	187
Cross-currency swaps[1]	210	209	198	198	163	474	1,452	367
Concession and promissory notes	–	–	–	–	–	601	601	133
Lease Liabilities	16	16	17	19	19	87	174	141
Other liabilities	86	4	4	5	5	139	243	133
Total	**1,790**	**1,760**	**1,359**	**2,376**	**2,912**	**14,117**	**24,314**	**19,189**

2020 $M	**1 year or less**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount**
Trade payables	485	–	–	–	–	–	485	485
Borrowings	1,917	1,632	1,907	877	2,291	18,846	27,470	21,078
Interest rate swaps[1]	82	72	62	54	43	153	466	438
Cross-currency swaps[1]	176	177	177	166	167	488	1,351	(296)
Foreign exchange forwards	18	–	–	–	–	–	18	18
Concession and promissory notes	–	–	–	–	–	573	573	101
Lease Liabilities	17	17	16	17	18	105	190	152
Other liabilities	12	4	342	4	4	155	521	363
Total	**2,707**	**1,902**	**2,504**	**1,118**	**2,523**	**20,320**	**31,074**	**22,339**

1. The carrying value of the interest rate and cross-currency swaps are presented on a net basis. The gross position is disclosed in the first table of Note B15.

Capital management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital, so that it can continue to provide returns to security holders and benefits for other stakeholders.

Fair value measurements

The carrying amount of the Group's financial assets and liabilities approximate their fair value. This is also generally the case with current borrowings since either the interest payable on those borrowings is close to current market rates or the borrowings are of a short-term nature. The fair values of non-current borrowings are determined based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs.

Fair value is categorised within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2—inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3—inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's financial instruments measured, recognised and disclosed at fair value are valued using market observable inputs (level 2), except for the PPAs (level 3).

B15 Derivatives and financial risk management (continued)

Fair value measurements (continued)

The PPAs operate as a CfD and are measured as a level 3 financial instrument as the key inputs, the electricity forward spot prices, cannot be forecasted (using observable market data) for the duration of the contract. As at 30 June 2021 the Bango wind farm that is the subject of the PPA is not operational and the instruments' fair value is offset by its day 1 deferred gain/loss.

The CfD relating to the Sapphire Wind Farm is measured as a level 3 financial instrument as the key input, the electricity forward spot price, cannot be forecasted (using observable market data) for the duration of the contract. The valuation as at 30 June 2021 and the impact of the measurement on profit or loss for the year ended 30 June 2021 was inconsequential. The valuation technique uses the electricity price forecasting model and inputs used include forecast electricity volumes, the electricity forward spot price, the contract period, the discount rate and the net position of the long-term generation certificates.

There were no transfers between levels during the period and there has been no change in the valuation techniques applied for level 2 instruments.

KEY ESTIMATE AND JUDGEMENT

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. The fair value of both cross-currency interest rate swaps and interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period.

Concession summary

The table below summarises the key balance sheet items of the Group's concession assets by geographical region:

2021 $M	Melbourne	Sydney	Brisbane	North America	Carrying amount
Equity accounted investment carrying amount	–	3,037	–	2,714	5,751
Service concession intangible assets carrying amount	2,780	5,867	7,557	1,223	17,427
Concession financial asset (current and non-current)	–	–	–	358	358
Assets under construction[1]	3,672	–	–	2	3,674
Goodwill	1	260	205	–	466
Maintenance provision (current and non-current)	(171)	(256)	(620)	(31)	(1,078)
Construction obligation provision (current and non-current)	(1,225)	–	–	–	(1,225)

2020 $M	Melbourne	Sydney	Brisbane	North America	Carrying amount
Equity accounted investment carrying amount	–	3,435	–	–	3,435
Service concession intangible assets carrying amount	2,899	6,309	7,796	4,486	21,490
Concession financial asset (current and non-current)	–	–	–	358	358
Assets under construction[1]	3,727	–	–	625	4,352
Goodwill	1	260	205	–	466
Maintenance provision (current and non-current)	(161)	(243)	(601)	(201)	(1,206)
Construction obligation provision (current and non-current)	(1,589)	–	–	–	(1,589)

1. Assets under construction are included within other intangible assets in the consolidated balance sheet.

KEY ESTIMATE AND JUDGEMENT

The Group makes certain assumptions in calculating the recoverable amount of its goodwill (Note B16), other intangible assets (Note B17) and equity accounted investments (Note B25). These include assumptions around expected traffic flows (including COVID-19 impacts) and forecast operational costs.

In performing the recoverable amount calculations for goodwill, the Group has applied the assumptions noted in Note B16. Management do not consider that any reasonable possible change in the assumptions will result in the carrying amount of a cash generating unit to which goodwill has been allocated exceeding its recoverable amount. Except for the A25 (refer to Note B17), management does not consider that reasonably possible changes in key assumptions would result in the recoverable amount being lower than the carrying amount of a service concession intangible asset.

B16 Goodwill

	2021 $M	2020 $M
Cost	466	466
Carrying amount	**466**	**466**

Goodwill primarily relates to the Group's Sydney Network cash generating unit (CGU) and Brisbane Network CGU and has arisen from the acquisition of Hills Motorway Group, Tollaust Pty Limited and the Sydney Roads Group in Sydney and the Queensland Motorways Group in Brisbane.

Impairment testing of goodwill

The Group assesses whether there is an indication of impairment at each reporting period and tests goodwill for impairment on an annual basis, regardless of whether an indicator of impairment exists.

Impairment testing is undertaken by calculating the recoverable amount, which is the greater of fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU).

Where the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through the profit and loss. The decrement in the carrying amount is recognised as an expense in the profit and loss in the reporting period in which the impairment occurs.

The recoverable amount of the Group's CGUs has been determined based on value-in-use calculations.

The following table sets out the key assumptions on which management have based their cash flow projections. The calculations use three year cash flow projections based on financial plans reviewed by the Board which include management's estimate of the impact to traffic volumes related to COVID-19. For some CGUs, management estimate a gradual recovery in traffic volumes in the short term to medium-term. For other CGUs, management estimate lower traffic volumes in the near-term and a gradual improvement in traffic volumes in the medium-term profiles in part associated with further easing of government mandated COVID-19 restrictions. Cash flows beyond this period are modelled using a consistent set of long-term assumptions up to the end of the applicable concession period:

	Melbourne		Sydney		Brisbane	
	2021	2020	2021	2020	2021	2020
Long term CPI (% annual growth)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Long term average weekly earnings (% annual growth)	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Pre-tax discount rate (%)	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%

Management have determined the values assigned to each of the below key assumptions as follows:

Assumption	Approach used to determine values
Traffic volume	Forecasts are developed based on historical trends and the Group's long term forecasting models, inclusive of some expectation of industry changes. Short term and long term forecasting models incorporate management's estimate of the impact on traffic from COVID-19. In developing these forecasts, management utilised external observable data to benchmark current traffic performance against estimated improvement in traffic profiles. The improvement in traffic is in part expected to be associated with the further easing of government mandated COVID-19 restrictions.
Long term CPI (% annual growth)	Based on independent external forecasts
Long term average weekly earnings (% annual growth)	Based on independent external forecasts
Pre-tax discount rate	Discount rates consider specific risks relating to the CGU. In performing the value-in-use calculations for each CGU, the Group has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows. The pre-tax discount rates are disclosed in the table above. Discount rates factor in the risk associated with possible variations in the forecast impact to traffic volumes plus the increased volatility in markets that has been observed since the onset of COVID-19.

The impairment testing indicates the recoverable amount of each Group CGU to which goodwill has been allocated exceeds its carrying amount (after allocating goodwill). Therefore, there is no goodwill that is impaired as at 30 June 2021.

Sensitivity analysis has been performed within each of the CGU valuation models to determine whether it is feasible that the recoverable amount of the CGU could fall below its net carrying amount (after allocating goodwill) under reasonably possible scenarios of shifts in key assumptions. The results from the sensitivity analysis show that the recoverable amount of the CGU did not fall below its carrying amount (after allocating goodwill) under any of the sensitivity scenarios. This is mainly due to the length of the remaining term of the Group's service concession arrangements, with the majority of the recoverable amount generated beyond the near-term period impacted by COVID-19.

B17 Other intangible assets

2021 $M	Concession assets	Assets under construction[1]	Other intangibles	Total
Cost	25,093	3,924	130	29,147
Accumulated amortisation	(7,666)	(250)	(54)	(7,970)
Net carrying amount	**17,427**	**3,674**	**76**	**21,177**

2020 $M	Concession assets	Assets under construction[1]	Other intangibles	Total
Cost	28,539	4,477	114	33,130
Accumulated amortisation	(7,049)	(125)	(16)	(7,190)
Net carrying amount	**21,490**	**4,352**	**98**	**25,940**

Movement in other intangible assets

	Concession assets $M	Assets under construction[1] $M	Other intangibles $M	Total $M
Net carrying amount at 1 July 2020	**21,490**	**4,352**	**98**	**25,940**
Additions	–	158	16	174
Disposals through loss of control of subsidiary[2]	(2,899)	(634)	–	(3,533)
Foreign exchange movements	(304)	(62)	–	(366)
Transfers	15	(15)	–	–
Amortisation charge	(875)	(125)	(38)	(1,038)
Net carrying amount at 30 June 2021	**17,427**	**3,674**	**76**	**21,177**
Net carrying amount at 1 July 2019	**21,392**	**5,112**	**100**	**26,604**
Additions	–	387	8	395
Foreign exchange movements and other adjustments	10	(32)	–	(22)
Transfers	990	(990)	–	–
Amortisation charge	(902)	(125)	(10)	(1,037)
Net carrying amount at 30 June 2020	**21,490**	**4,352**	**98**	**25,940**

1. The amortisation charge recorded in assets under construction relates to the component of the West Gate Tunnel Project asset under construction which is related to CityLink funding contributions for which funding sources began to be received from 1 July 2019.

2. Relates to the deconsolidation of the Group's ownership interest in TC upon divestment of a 50% ownership interest (refer to Note B24).

Concession assets represent the Group's rights to operate roads under Service Concession Arrangements. Service Concession Arrangements are accounted for in accordance with AASB Interpretation 12 *Service Concession Arrangements* (IFRIC 12), which establishes a framework for classification of the assets based on an intangible asset model and a financial asset model (bifurcated arrangements can also exist). Assets under construction are accounted for as contract assets in accordance with AASB15 *Revenue from Contracts with Customers* until they are available for use. The Group classifies assets under construction based on whether the consideration provides rights to an intangible asset or a financial asset.

Intangible asset model

Concession assets that do not meet the criteria of the financial asset model are classified as intangible assets and are amortised on a straight-line basis over the term of the concession arrangement.

Transurban has the right to toll the concession assets for the concession period. Extensions to the concession period have been granted for a number of individual concessions as a result of road development projects and improvements. At the end of the concession period, all concession assets are to be returned to the respective Government. The remaining terms of the right to operate period are reflected below:

	2021 years	2020 years
Melbourne—Victorian State Government	24	25
Sydney—New South Wales State Government[1]	5–27	6–28
Brisbane—Queensland State Government and Brisbane City Council	30–44	31–45
North America—Commonwealth of Virginia[2] and MTQ	21	22–67

1. The concession end date for M5 West is December 2026 at which point it will form part of the WestConnex M5 concession.

2. Only applicable for FY20.

B17 Other intangible assets (continued)

Indicators of impairment

At each reporting period the Group assesses whether there is an indication of impairment for each of the Group's concession intangible assets. Where an indicator of impairment is identified, impairment testing is performed.

COVID-19 related government restrictions have continued to affect traffic volumes and toll revenue in the year ended 30 June 2021. Notwithstanding this, each of the Group's service concession intangible assets' recoverable amount exceeded their carrying amount when each asset was last formally tested for impairment (for all assets this was as at 30 June 2020, for certain assets also as at 31 December 2020) and there have been no subsequent events (including the estimated toll revenue impact after 30 June 2021 from increased COVID-19 related government mandated movement restrictions in the Group's Australian markets) which could have eroded the excess. Given this, management have concluded that there are no indicators of impairment for the Group's service concession intangible assets as of 30 June 2021.

As outlined in the Group's Corporate Report for the year ended 30 June 2020, the A25's recoverable amount exceeded its carrying amount by less than 5% when impairment testing was performed as at 30 June 2020. The testing as at 30 June 2020 also indicated that the A25 was sensitive to reasonably possible shifts in key assumptions, hence management have completed an impairment assessment of the A25 as at 30 June 2021 in accordance with AASB 136 *Impairment of Assets*. The recoverable amount as at 30 June 2021 (based on fair value less costs of disposal) exceeds the carrying amount by 16% (30 June 2021 carrying amount: $1,223 million). As part of this impairment assessment, sensitivity analysis was performed to consider reasonably possible changes in traffic volumes, long-term CPI, the discount rate and the realisation of asset enhancement opportunities. As at 30 June 2021, the A25 continues to be sensitive to reasonably possible changes in certain key assumptions. The A25 was acquired in June 2018 and the concession intangible asset may be impaired if there were reasonably possible changes in key assumptions relating to the discount rate, or the realisation of asset enhancement opportunities. The asset has performed ahead of acquisition assumptions and there has not been a material change to long-term assumptions through to 30 June 2021. Accordingly, and in consideration of the A25's reducing carrying amount through amortisation, management conclude there is no impairment as at 30 June 2021.

Assets under construction

Assets under construction as at 30 June 2021 includes the construction of the West Gate Tunnel Project in Melbourne.

Construction costs relating to completed works are transferred to the concession asset upon final completion of the project.

For the purposes of impairment testing, these balances are classified as contract assets and subject to the impairment requirements in AASB 9 Financial Instruments. Applying the expected credit loss model to the Group's assets under construction resulted in a $nil loss allowance being recorded (2020: $nil). Consistent with the assessment following the onset of COVID-19 as at 30 June 2020, the expected credit loss model as at 30 June 2021 includes consideration of the impacts arising from COVID-19, which are limited due to the financial strength of the Group's government counterparties. Further, infrastructure projects have been allowed to continue construction in Melbourne through the period of government-mandated restrictions.

Management considers the carrying amount of assets under construction to be appropriate as at 30 June 2021.

West Gate Tunnel Project

The West Gate Tunnel Project comprises a number of construction zones, including the construction of a tunnel that will underpin the project.

The West Gate Tunnel Project is being funded by the right to toll from the amended CityLink Concession Deed and the right to toll the West Gate Tunnel once construction is completed. Funding sources in connection with the CityLink Concession Deed were received from 1 July 2019, at which time the asset under construction attributable to the CityLink funding sources began to amortise through to the concession end date of January 2045.

During the course of construction of the West Gate Tunnel Project, the D&C subcontractor has made a number of claims, including (but not limited to) claims relating to the presence, classification and disposal of per and polyfluorinated alkyl substances (PFAS), the relocation of utilities and impacts associated with COVID-19 restrictions, which the D&C subcontractor claims have an impact on its ability to complete the project within the contractual sum and project schedule. PFAS is a group of chemicals, low levels of which are predicted by the D&C subcontractor to be found in some of the soil excavated to build the tunnels. To date, most of these claims have been assessed as forming part of the 'Linked Claims' and 'Linked Disputes' framework and have been passed onto the State of Victoria for assessment in accordance with the relevant contracts. The nature of the 'Linked Claims' mechanism within the relevant contracts means that the obligation should not rest with the Group.

Furthermore, in the period from January to August 2020, the D&C subcontractor purported to terminate the D&C subcontract with Transurban WGT Co Pty Ltd four times and also noted their intention to continue works on site. The purported terminations relate to issues in respect of the presence, classification and disposal of PFAS. Works have continued on site. The Group does not consider the D&C Subcontract to have been validly terminated and, as such, the Group believes the contract remains valid.

As at 30 June 2021, the tunnelling component has not commenced on the project. This is as a result of disputes arising between the project parties relating to changes in the requirements for disposal of soil contaminated with PFAS. This has meant a purpose built facility has been required, which has now been identified by the D&C subcontractor and is currently being activated, following associated environmental and planning approvals obtained in the first half of calendar year 2021.

B17 Other intangible assets (continued)

Assets under construction (continued)

West Gate Tunnel Project (continued)

The Group has been working actively with the project parties to seek a commercial resolution in the interests of progressing the project and minimising further time and cost impacts. In recognition of the importance of progressing the project as quickly and efficiently as possible for all stakeholders, the Group has proactively undertaken several initiatives, including:

- Cashflow support for the D&C subcontractor in the form of advance payments totalling $443 million through to 30 June 2021 to be offset against future amounts to be incurred under the remaining contractual sum. These advance payments are presented within trade and other receivables as at 30 June 2021 (current assets: $253 million, non-current assets: $190 million, refer to Note B8);
- Entering into an agreement with the High-Quality Bulla spoil disposal site in June 2021, for funding totalling $132 million, to complete the site activation works, on a rights reserved basis to enable the site to be available for the receipt and storage of project spoil as soon as possible; and
- Entering into a non-binding independent expert (NBIE) process with the project parties, which was completed in March 2021.

Following the NBIE process, the project parties committed to a mediation process, which remains ongoing. Negotiations between the project parties have become increasingly challenging and may not result in a commercial agreement.

Due to the presence of commercial matters, claims and dispute resolution processes, the D&C subcontractor will not be able to complete the contracted works by the end of 2023 and is expected to incur costs in excess of the contractual sum. Any estimate of project completion is dependent on the resolution of commercial matters and timing for commencement of tunnelling.

The contracted total cost of the project was $6.7 billion (including the Group's $4 billion contracted contribution). Estimates of additional costs to complete the project differ among project parties and remain uncertain. Based on preliminary independent analysis and subject to a number of assumptions including risk profile, commencement of tunnelling in early 2022 and completion timing, the Group estimates the D&C subcontractor's construction costs could increase in the order of $3.3 billion. The D&C subcontractor's claims are higher.

In order to reach a commercial settlement, the Group believes all project parties would be required to make a meaningful financial contribution. As part of this, the Group would balance the interests of its broad group of stakeholders. The value, form, structure and timing of any contribution made by the Group will depend upon a number of factors including agreement on remaining project costs, costs incurred directly by the Group, agreement on risk-sharing and commitment by the parties to the timely and efficient completion of the project amongst others.

If matters are not resolved commercially, legal pathways can be pursued by the project parties under the existing contracts, with continuing obligations on the parties to deliver the project.

Based on the current status of commercial resolution processes with the project parties, it is unclear whether a commercial settlement can be reached. While it is possible a commercial settlement may be reached, it cannot be reliably estimated as at 30 June 2021. Accordingly, a provision has not been recorded as at 30 June 2021.

KEY ESTIMATE AND JUDGEMENT

As at 30 June 2021 the Group, including its equity accounted investments, has a number of construction projects at varying stages of completion. The Group is exposed to direct and indirect construction risk including through its third party contractors. Construction risk includes exposures to claims made on the Group and claims that the Group may pass through or initiate on others. From time to time the Group may make payments, not necessarily stipulated in the D&C subcontract itself, to facilitate the continued progression of the Group's construction projects.

As at 30 June 2021 there continues to be an increased risk from claims linked to COVID-19, with claims activity observed across the construction industry owing to the impact of COVID-19 on construction schedules.

The Group regularly monitors its exposure to construction risks, assessing impacts to the financial statements at the conclusion of each reporting period.

As at 30 June 2021 any possible payments relating to actual or potential future claims or possible commercial payments to third parties in excess of, or separate to the amounts stipulated in the D&C subcontracts, cannot be reliably estimated and/or is not considered probable of being made.

B18 Concession financial asset

The Group's concession financial asset only relates to A25 as at 30 June 2021 and 30 June 2020.

	Note	2021 $M	2020 $M
Opening carrying value		**358**	**369**
Additional finance income recognised	B13	23	25
Cash received		(27)	(28)
Foreign exchange movements and other adjustments		4	(8)
Closing carrying value		**358**	**358**
Including:			
Current asset	B8	28	27
Non-current asset		330	331
Total concession financial asset		**358**	**358**

The financial asset model within IFRIC 12 applies to service concession arrangements whereby the Group has an unconditional contractual right to receive cash or another financial asset as the consideration for the construction services provided to the grantor of the concession. The unconditional contractual right to receive cash or another financial asset arises under two scenarios:

- the respective Government authority guarantees to pay the Group specified amounts throughout the term of the concession arrangement (such as availability payments) provided certain asset operating conditions are met; or
- the respective Government authority guarantees to pay the Group any shortfall between amounts received from users of the asset and an amount specified within the concession agreement (guaranteed toll revenue arrangements).

For amounts received under these arrangements the traffic risk is not borne by the Group. The portion of concession arrangements accounted for under the financial asset model in IFRIC 12 are presented as a financial receivable within the Group's consolidated balance sheet. The Group classifies its Concession financial asset at amortised cost as the objective of the Group's business model is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Consistent with the assessment following the onset of COVID-19 at 30 June 2020, as at 30 June 2021, management have assessed the impacts arising from COVID-19 and do not consider there to be evidence of a significant increase in credit risk since initial recognition of these balances. This is mainly due to there being no significant change in the nature of or the collectability of these balances. The loss allowance for this concession financial asset continues to be limited to 12 months of expected losses. These balances continue to have low credit risk as they have a low risk of default and the government counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Applying the expected credit loss model to the Group's Concession financial asset at amortised cost resulted in a $nil loss allowance being recorded (2020: $nil).

The fair value of the receivable is determined at the inception of the service concession arrangement based on the discounted present value of cash flows to be received over the concession life. A portion of the receivable is recognised with corresponding revenue recorded for construction services based on the progress of the construction services provided in each period. Post completion of construction services, interest income is recorded to recognise the unwind of discounted future cash flows, while also increasing the receivable balance. Amounts received from the respective Government authority are offset against the financial asset receivable.

The concession asset of the A25 asset in Canada are accounted for using a bifurcated model, being:

- Financial asset model for the income streams of an unconditional contractual right to receive cash from MTQ, including the availability payments and the minimum guaranteed toll income; and
- Intangible asset model for the remaining income streams (refer to Note B17).

B19 Maintenance provision

Movement in maintenance provision

	Current $M	Non-current $M
Carrying value at 1 July 2020	**104**	**1,102**
Additional provision recognised	–	117
Amounts paid/utilised	(90)	–
Unwinding of discount	–	35
Transfer	138	(138)
Disposals through loss of control of subsidiary[1]	(6)	(166)
Foreign exchange movements	(2)	(16)
Carrying value at 30 June 2021	**144**	**934**

1. Relates to the deconsolidation of the Group's ownership interest in TC upon divestment of a 50% ownership interest (refer to Note B24).

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B19 Maintenance provision (continued)

Movement in maintenance provision (continued)

	Current $M	Non-current $M
Carrying value at 1 July 2019	**156**	**1,006**
Additional provision recognised	–	130
Amounts paid/utilised	(135)	–
Unwinding of discount	–	45
Transfer	83	(83)
Foreign exchange movements	–	4
Carrying value at 30 June 2020	**104**	**1,102**

KEY ESTIMATE AND JUDGEMENT

As part of its obligations under the service concession arrangements, the Group assumes responsibility for the maintenance and repair of installations of the publicly owned roads it operates (including associated tolling equipment and systems). The Group records a provision for its present obligation to maintain the motorways held under concession deeds. The Group periodically reassesses the estimate of its present obligation, which includes consideration of the results of routine inspections performed over the condition of the roads it operates. Any incremental maintenance and repair activities identified through this process are assessed for whether they are the sole responsibility of the Group or whether they are the responsibility of other parties. To the extent the Group believes other parties are responsible for the maintenance or repair or remediation, the Group may initiate claims on those parties. These assessments inform the timing and extent of planned future maintenance activities, notwithstanding the provision recorded at period end continues to capture the Group's maintenance and repair obligations under the concession deeds.

The provision is included in the financial statements at the present value of expected future payments. The calculations to discount these amounts to their present value are based on the estimated timing and profile of expenditure occurring on the roads.

B20 Construction obligation provision

West Gate Tunnel Project

The West Gate Tunnel Project is being funded by tolling income from the CityLink Concession Deed and the receipt of future tolling income from the West Gate Tunnel Project. The CityLink Concession Deed was amended in April 2019, requiring the recognition of an incremental asset within other intangible assets and a corresponding liability. The liability represents the Group's obligation to complete construction of the West Gate Tunnel Project, attributable to the remaining CityLink funding sources payments. The liability will reduce as payments are made in connection with the CityLink funding sources.

The estimated nominal value of the remaining funding sources payments attributable to CityLink is $1,291 million as at 30 June 2021 (2020: $1,691 million).

	Current West Gate Tunnel Project $M	Non-current West Gate Tunnel Project $M	Total $M
Carrying value at 1 July 2020	**767**	**822**	**1,589**
Amounts paid/utilised	(405)	–	(405)
Unwinding of discount	–	41	41
Transfer	217	(217)	–
Carrying value at 30 June 2021	**579**	**646**	**1,225**
Carrying value at 1 July 2019	**831**	**1,391**	**2,222**
Adjustments recorded to assets under construction	–	(26)	(26)
Amounts paid/utilised	(631)	–	(631)
Unwinding of discount	–	24	24
Transfer	567	(567)	–
Carrying value at 30 June 2020	**767**	**822**	**1,589**

KEY ESTIMATE AND JUDGEMENT

The Group has a construction liability for the West Gate Tunnel Project attributable to the CityLink funding sources from the CityLink Concession Deed Amendments. The construction liability is measured at the present value of the remaining CityLink funding sources payments. Assumptions are made in determining the timing and profile, based on the expected cash flows to be paid through completion of construction of the West Gate Tunnel Project. A discount rate is used to value the construction liability to its present value, which is determined with reference to the Group's cost of debt. A discount rate of 5.06% was used on revaluation of the liability in June 2021.

The current balance represents the payments the Group expects to be made within 12 months from the reporting date, with the non-current portion being the present value of payments beyond 12 months from the reporting date.

B21 Other liabilities—concession liabilities

	2021 $M	2020 $M
M1 Eastern Distributor concession note	56	41
M2 Motorway promissory note	77	60
Fredericksburg Extension payable	–	305

M1 Eastern Distributor

The Eastern Distributor project deed between Airport Motorway Limited, Airport Motorway Trust and the Transport for New South Wales (TfNSW) provides for annual concession fees of $15 million during the construction phase and for the first 24 years after completion of construction of the M1 Eastern Distributor. Until a certain threshold return is achieved, payments of concession fees due under the Project Deed will be satisfied by means of the issue of non-interest bearing concession notes.

The face value of concession notes on issue as at 30 June 2021 is $360 million (2020: $345 million).

M2 Motorway

The Hills Motorway Trust has entered into leases with the TfNSW. Annual lease liabilities under these leases total $12 million (2020: $12 million), indexed annually to the consumer price index over the estimated period that the M2 Motorway will be used. Until such time as a threshold return is achieved, payments under these leases can be made at any time at the discretion of the trustee of the Hills Motorway, by means of the issue of non-interest bearing promissory notes to the TfNSW.

The face value of promissory notes on issue as at 30 June 2021 is $241 million (2020: $228 million).

Fredericksburg Extension project

The 95 Express Lanes service concession agreement was amended following commercial close of the Fredericksburg Extension project in April 2019. A series of payments are due to the Virginia Department of Transportation (VDOT) in connection with the construction of the project, payable between commercial close and construction completion. As at 30 June 2020, a current liability of $nil million and a non-current liability of $305 million was recorded. The nominal value of the payable as at 30 June 2020 was $338 million. During the year ended 30 June 2021, the liability was derecognised as part of the disposal of TC (refer to Note B24).

KEY ESTIMATE AND JUDGEMENT

Concession and promissory notes

The Group has non-interest bearing long term debt, represented by promissory notes and concession notes payable to the Government, measured at the present value of expected future payments. The calculations to discount these notes to their present value are based on the estimated timing and profile of the repayments. Assumptions are made in determining the timing and profile, based on expected available equity cash flows of the Group's cash generating units. A discount rate is used to value the promissory notes and concession notes to their present value, which is determined through reference to other facilities in the market with similar characteristics. A discount rate of 7.5% (2020: 7.7%) has been used for notes issued during the period, which recognises the subordinated nature of these notes. A lower discount rate has been used in the current financial year following a review of discount rates applicable for liabilities across the Group.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

Group structure

B22 Principles of consolidation

Subsidiaries

Subsidiaries are fully consolidated from the date the Group gains control of the subsidiary and are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements of the Group, all inter-entity transactions and balances have been eliminated.

The accounting policies adopted by the individual entities comprising the Group are consistent with the Parent company.

Non-controlling interests

Non-controlling interests consist of two components:

- Non-controlling interest—other: external non-controlling interests relating to the results and equity of Transurban Queensland and Eastern Distributor subsidiaries are shown separately in the Group financial statements; and
- Non-controlling interests that relate to THT and TIL are presented separately, and relate to equity holders of the stapled group.

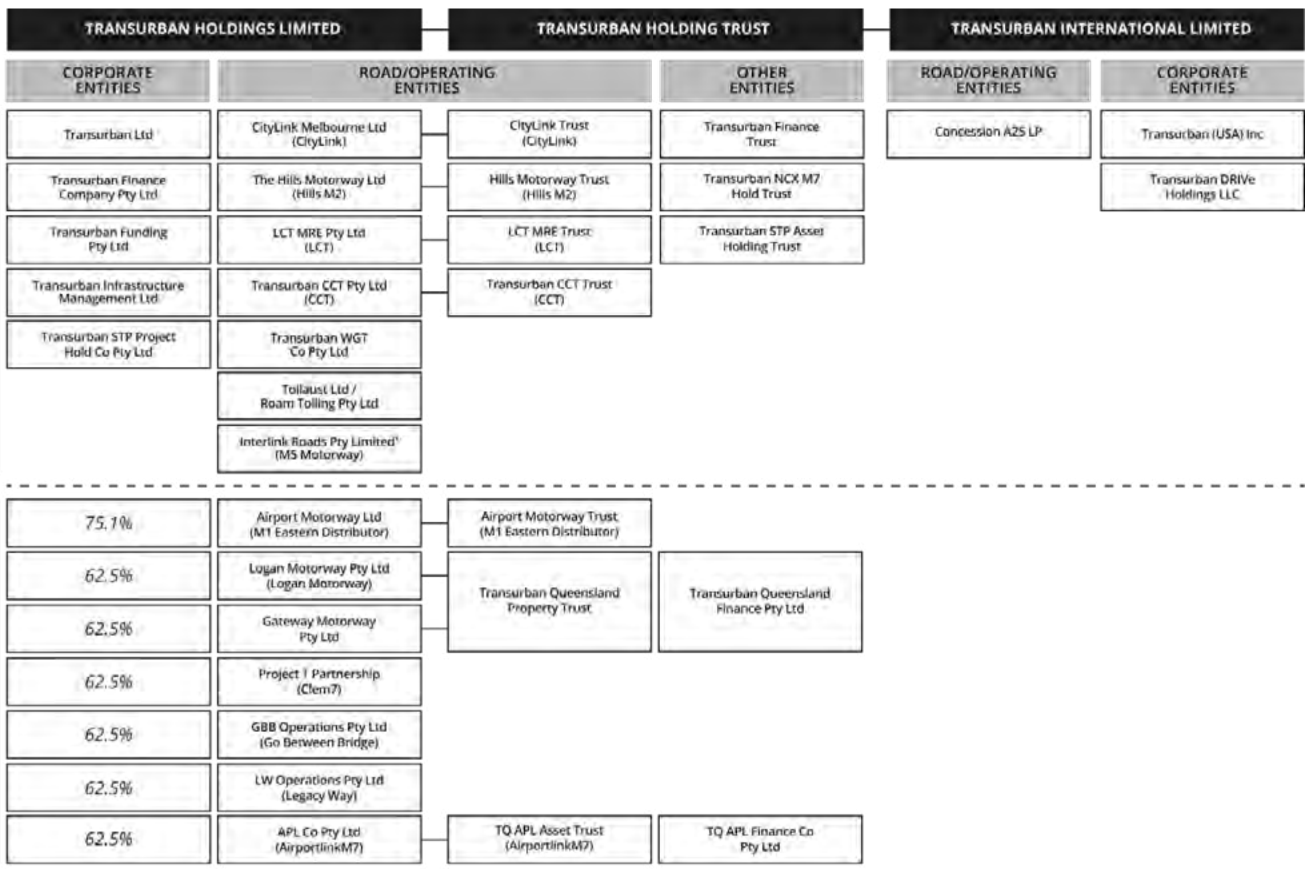
Associates and joint ventures

Associates are entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. The Group currently has an interest in one associate being Bluedot. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group's investments in joint ventures during the period comprised STP, NWRG, TC, and Accelerate Maryland Partners LLC.

Interests in the associate and the joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit and loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases. When the Group's cumulative share of losses in an associate or joint venture exceeds its investment in the asset, the Group does not recognise any further losses from this point. Dividends received from the entities listed above reduce the carrying amount of the investment.

B23 Material subsidiaries

The Group's material subsidiaries as at 30 June 2021 are outlined in the Group structure diagram below. On divestment of TC, 495 Express Lanes LLC and 95 Express Lanes LLC ceased being 100% owned subsidiaries.



1. M5 West additional equity interest of 34.62% was acquired on 30 October 2019, increasing the equity interest to 100%.

B24 Business combinations and changes in ownership interests

Business combinations

Accounting policy

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the profit and loss as a gain on bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of obtaining control. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the profit and loss.

Changes in ownership interests in controlled subsidiaries

Discontinued operations — Accounting policy

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has ceased or been disposed of or is held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

Year ended 30 June 2021 changes in ownership interests

Sale of 50% interest in Transurban Chesapeake

On 17 December 2020 the Group announced that it had entered into an agreement to divest 50% of its equity interest in TC to AustralianSuper (25%), CPP Investments (15%) and UniSuper (10%). TC is part of the North American segment and includes the concessions for the 495 Express Lanes and 95 Express Lanes.

The sale was completed on 31 March 2021 via disposal of the Group's controlling interest in TC for gross sale proceeds of $2,706 million (US$2,056 million), excluding a potential earn-out between FY24 and FY26 of up to $92 million (US$70 million).

The Group has assessed that it no longer controls TC as a result of the sale and has reported the 50% equity interest retained as an equity accounted investment as at 30 June 2021 in Note B25. On completion the Group deconsolidated 100% of the balance sheet of the TC Group and recorded an equity accounted investment at fair value of $2,706 million, representing the 50% interest in TC. The investment in TC is equity accounted from 31 March 2021 and the Group's 50% share of the equity accounted investment's net profit after tax has been recorded as part of the Group's continuing operations.

As TC represents the majority of the Group's North American revenue and assets, the Group has classified its previous interest in TC as a discontinued operation up to the date of disposal. Financial information for the current period up to the date of disposal and comparative financial information for TC has been classified as a discontinued operation in the statement of comprehensive income. Financial information disclosed in relation to discontinued operations includes consolidation adjustments, net finance costs and income tax benefit (current tax and taxable temporary differences) that are recorded outside of the legal entities which form the TC Group, as they are directly related to the performance of the disposal group and the accounting for the transaction upon financial close.

KEY ESTIMATE AND JUDGEMENT

The Group has reported its retained interest in TC as an equity accounted investment on the basis that control has been lost as a result of the divestment of 50% of the Group's equity interest in TC. The Group's assessment that it does not control TC has been made by considering the terms of the Purchase Agreement signed by the TC partners in December 2020, which requires a supermajority vote of at least 77.5% of all shareholders for decisions on significant relevant activities. Considering this, and among other factors, the Group has equity accounted for its interest in TC following the sale.

B24 Business combinations and changes in ownership interests (continued)

Changes in ownership interests in controlled subsidiaries (continued)

Year ended 30 June 2021 changes in ownership interests (continued)

Sale of 50% interest in Transurban Chesapeake (continued)

Reconciliation of gain recognised on the disposal of 100% interest in TC

	Note	2021 $M
Consideration on disposal		
Cash consideration on disposal		2,706
Cash and cash equivalents disposed		(369)
Realised forward FX contracts[1]		6
Total inflow of cash on disposal		**2,343**
Fair value of contingent consideration[2]		–
Fair value of 50% equity accounted investment in TC	B25	2,706
Total consideration on disposal		**5,049**
(Assets)/liabilities at disposal date		
Assets classified as held for sale (excluding cash disposed)		(3,557)
Liabilities classified as held for sale		3,467
Carrying amount of net assets disposed		**(90)**
Reclassification of reserves on disposal (net of income tax)[3]		185
Transaction costs on disposal		(18)
Gain on disposal		**5,126**
Income tax expense[4]		(1,400)
Gain on disposal after income tax		**3,726**

1. *Includes fair value gains recognised in association with forward FX contracts to fix the Australian dollar value of the majority of the net U.S. dollar proceeds from the divestment of 50% of the Group's interest in TC.*
2. *The earn-out receivable by the Group will be based on a cumulative revenue target trigger and subject to the achievement of minimum EBITDA thresholds. Upon meeting those triggers, an earn-out up to the earn-out cap will be paid between FY24 and FY26. The contingent consideration is recorded at the end of each reporting period at its fair value based upon the same assumptions underlying revenue and EBITDA as outlined in note B16. The fair value of contingent consideration is assessed as being nil at both 31 March 2021 and 30 June 2021.*
3. *Includes foreign currency translation reserve $207 million less cash flow hedge reserve $22 million.*
4. *As at 30 June 2021, the Group has a remaining income tax obligation recorded in current tax liabilities of $168 million in connection with the disposal of 50% of its interest in TC.*

The assets and liabilities classified as held for sale associated with the TC Group as at sale completion date on 31 March 2021 were as follows:

	31 March 2021 $M
Assets	
Cash and cash equivalents	369
Trade and other receivables	12
Property, plant and equipment	12
Concession intangible assets	3,533
Total assets	**3,926**
Liabilities	
Trade and other payables	116
Borrowings	2,598
Derivative financial instruments	59
Maintenance provision	172
Deferred tax liabilities	230
Other provisions	7
Other liabilities	285
Total liabilities	**3,467**
Net assets	**459**

Net assets associated with the TC Group within TIL as at 31 March 2021 were $487 million, which excludes adjustments recorded to other intangible assets upon consolidation of the THL Group, which were derecognised upon disposal.

B24 Business combinations and changes in ownership interests (continued)

Changes in ownership interests in controlled subsidiaries (continued)

Year ended 30 June 2021 changes in ownership interests (continued)

Sale of 50% interest in Transurban Chesapeake (continued)

Discontinued operations

The contribution of discontinued operations included within the Group's consolidated statement of comprehensive income and consolidated statement of cash flows for the nine months ended 31 March 2021 and year ended 30 June 2020 are detailed below:

Income statement—Discontinued operations

	9 months ended 31 March 2021 $M	12 months ended 30 June 2020 $M
Toll revenue	77	215
Construction revenue	87	240
Total revenue	**164**	**455**
Total expenses[1]	**(158)**	**(352)**
Earnings before depreciation, amortisation, net finance costs and income taxes	**6**	**103**
Total amortisation and depreciation	(21)	(43)
Net finance costs	(178)	(138)
Loss before gain on disposal and income tax	**(193)**	**(78)**
Gain on disposal[2]	5,126	–
Profit/(loss) before income tax	**4,933**	**(78)**
Income tax benefit from discontinued operations	26	25
Income tax expense on gain on disposal	(1,400)	–
Profit/(loss) for the period[3]	**3,559**	**(53)**
Profit/(loss) attributable to:		
Ordinary security holders of the stapled group		
– Attributable to THL	42	(22)
– Attributable to THT/TIL	3,517	(31)
Profit/(loss) attributable to ordinary security holders of the stapled group	**3,559**	**(53)**
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	13	(16)
Exchange differences on translation of operations, net of tax	(91)	44
Gains reclassified on disposal of subsidiary, net of tax[4]	(198)	–
Other comprehensive (loss)/income for the period, net of tax	**(276)**	**28**
Total comprehensive income/(loss) for the period	**3,283**	**(25)**
Total comprehensive income/(loss) for the period is attributable to:		
Ordinary security holders of the stapled group		
– Attributable to THL	–	(18)
– Attributable to THT/TIL	3,283	(7)
Total comprehensive income/(loss) attributable to ordinary security holders of the stapled group	**3,283**	**(25)**

1. Includes construction costs of $87 million (2020: $240 million).

2. Includes fair value gains of $6 million (2020: nil) recognised in association with forward FX contracts to fix the Australian dollar value of the majority of the net U.S. dollar proceeds from the divestment of 50% of the Group's interest in TC.

3. Profit/(loss) of TIL for the years ended 30 June 2021 and 2020 includes finance costs of $150 million (tax-effected: $146 million) and $72 million (tax-effected: $65 million), respectively, relating to related party payables and loans that were settled on receipt of the proceeds of the transaction. Profit/(loss) of TIL for the year ended 30 June 2021 excludes fair value losses of $6 million (tax-effected: $4 million), which is recorded within a wholly owned subsidiary of THL.

4. Includes $13 million reversed against deferred tax assets.

B24 Business combinations and changes in ownership interests (continued)

Changes in ownership interests in controlled subsidiaries (continued)

Year ended 30 June 2021 changes in ownership interests (continued)

Sale of 50% interest in Transurban Chesapeake (continued)

In addition to net finance costs included in the profit and loss from discontinued operations, $12 million (2020: $23 million) of financing costs have been capitalised by TC and included in the carrying value of assets under construction.

Cash flows - Discontinued operations

	9 months ended 31 March 2021 $M	12 months ended 30 June 2020 $M
Net operating cash flows	(56)	96
Net investing cash flows	2,229	(358)
Net financing cash flows	–	413
Effects of exchange rate changes on cash and cash equivalents	(49)	16
Net increase in cash and cash equivalents from discontinued operations[1]	**2,124**	**167**

1. The net movement in cash and cash equivalents from discontinued operations for TIL is a $33 million outflow, after adjusting for the net financing cash flow impact from related party payables and borrowings that were settled on receipt of the proceeds from the transaction.

Year ended 30 June 2020 changes in ownership interests

Acquisition of remaining 34.62% equity interest in Interlink Roads Pty Ltd

On 30 October 2019, Transurban completed the acquisition of the remaining 34.62% equity interest in Interlink Roads Pty Ltd, the company that holds the M5 West concession in Sydney, New South Wales, for a purchase price of $459 million. This took the Group's ownership interest to 100%. This transaction did not result in a change in control over the M5 West and it continues to be controlled and consolidated in the Group results.

As the change in ownership interest did not result from a loss of control, the transaction was recorded in equity. The purchase price of $459 million reflected $394 million for the additional equity interest and $65 million for the term loan notes attributable to the non-controlling interest, which are now extinguished. In the year ended 30 June 2021, cumulative transaction costs recognised in equity reduced from $39 million to $33 million upon finalisation of stamp duty related landholder statements.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B25 Equity accounted investments

Set out below is the reconciliation of the equity accounted carrying value of investments:

	STP JV		NWRG		TC		Other[6]		Total	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Opening carrying value at 1 July	**3,061**	**3,115**	**374**	**495**	**–**	**–**	**–**	**4**	**3,435**	**3,614**
Acquisition	–	–	–	–	2,706	–	–	–	2,706	–
Group's share of loss inclusive of impairments[1,2,3]	(140)	(58)	–	–	(21)	–	–	(4)	(161)	(62)
Group's recognised share of other comprehensive income/(loss)	75	(22)	–	–	(1)	–	–	–	74	(22)
Distributions received	(335)	(22)	(111)	(149)	–	–	–	–	(446)	(171)
Foreign exchange movements	–	–	–	–	28	–	–	–	28	–
Capital contributions	113	48	–	–	2	–	–	–	115	48
Fair value adjustment on issuance of shareholder loans[4]	–	–	–	28	–	–	–	–	–	28
Closing carrying value at 30 June	**2,774**	**3,061**	**263**	**374**	**2,714**	**–**	**–**	**–**	**5,751**	**3,435**
Cumulative losses not recognised[2,5]	–	–	123	297	–	–	–	–	123	297

1. The Group's share of STP JV losses includes losses from STP Project Trust of $11 million (2020: $48 million) and STP Asset Trust of $129 million (2020: $10 million).
2. The Group's share of profits from the investment in the NWRG are currently not recognised until such time as cumulative losses have been fully utilised. Accordingly, any potential deferred tax liability relating to the difference between the accounting base of the investment and the tax base of the investment has not been brought to account as at 30 June 2021. Cumulative losses not recognised above are disclosed at 100%.
3. The Group recorded a $4 million impairment of its investment in Bluedot Innovation, Inc. in the year ended 30 June 2020. Refer below for further details.
4. During the year ended 30 June 2020, a non-interest bearing facility was drawn for the first time. The loan was recorded at fair value on initial recognition and is subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the loan and the fair value was treated as a contribution to the equity accounted investment in NWRG.
5. The cumulative losses not recognised relating to Bluedot are not disclosed as the Group wrote down the carrying value of the equity accounted investment to $nil in the year ended 30 June 2020.
6. Other equity accounted investments comprises Accelerate Maryland Partners LLC and Bluedot.

Joint Ventures

STP JV (50% ownership interest)

To facilitate the WestConnex acquisition, the STP JV was established by Transurban (50%), AustralianSuper (20.5%), CPP Investments (20.5%) and Tawreed (9%). The STP JV and its subsidiaries is jointly controlled by Transurban, AustralianSuper and CPP Investments. The STP JV holds a 51% ownership interest in WestConnex.

WestConnex has long-dated concessions through to 2060 and includes 33-kilometres of new or improved motorway linking Sydney's west and southwest with the CBD, and the corridor to Sydney Airport and Port Botany.

The following entities are part of the STP JV Group:

- STP Project Trust;
- STP Asset Trust;
- STP PT Pty Ltd; and
- STP AT Pty Ltd.

KEY ESTIMATE AND JUDGEMENT

The Group's assessment that it does not control STP JV has been made by considering the terms of the Investment Agreement signed by the JV partners and the ongoing compliance with the Investor Agreement. This Agreement requires a supermajority vote of at least 82.5% of all shareholders for the decisions on the significant relevant activities made by the JV. As such, noting this and other factors, the Group concluded that it, together with AustralianSuper and CPP investments, jointly controls the STP JV and its controlled entities.

B25 Equity accounted investments (continued)

Joint ventures (continued)

NWRG (50% ownership interest)

The Group has a 50% ownership interest in NWRG (including NorthWestern Roads Group Pty Ltd, NorthWestern Roads Group Trust and NorthConnex State Works Contractor Pty Limited), which holds 100% of the Westlink M7 Group and the NorthConnex Group. Westlink M7 holds the concession to design, construct, finance and operate the Westlink M7 Motorway in Sydney for a period of 43 years from the date of operation (16 December 2005) until June 2048, and NorthConnex holds the concession to design, construct, finance and operate the NorthConnex Tunnel in Sydney until 2048.

The following entities are a part of the Westlink Group:

- WSO Co Pty Limited (the operator of the Motorway);
- Westlink Motorway Limited (the nominee manager of the Westlink Motorway Partnership);
- WSO Finance Pty Limited (the financier of the Motorway); and
- Westlink Motorway Partnership (was responsible for the construction of the Motorway).

The following entities are part of the NorthConnex Group:

- NorthConnex Company Pty Limited (the operator of the Motorway); and
- NorthConnex Finance Company Pty Limited (the financier of the Motorway).

TC (50% ownership interest)

Following the divestment of 50% of the Group's equity interest in TC (refer to Note B24), as at 30 June 2021, the Group has a 50% ownership interest in Transurban Chesapeake LLC which holds 100% of the TC Group.

The following entities are part of the TC Group:

- 495 Express Lanes LLC; and
- 95 Express Lanes LLC

Accelerate Maryland Partners LLC (60% ownership interest)

The Group has a 60% ownership interest in Accelerate Maryland Partners LLC (AM Partners), whose role is to be the Maryland Department of Transport's long-term partner to build, finance and operate the new Express Lanes in Maryland, USA. Management have assessed that the Group does not control AM Partners considering the ownership and operating agreements, which require unanimous approval by all shareholders for all relevant decisions.

Associate

Bluedot (4.2% ownership interest)

Bluedot is an advanced location services technology company. The Group leverages Bluedot's location services technology for the Group's LinktGo application which allows the use of a smartphone's GPS and other sensors to identify when a driver has entered and exited a toll road. Bluedot's technology continues to be used by the Group as at 30 June 2021.

B25 Equity accounted investments (continued)

Summarised financial information of equity accounted investments

Set out below is the summarised financial information for those investments accounted for using the equity method. The summarised financial information presented below is on a 100 per cent basis for each equity accounted investment.

Summarised balance sheet—100%

	STP JV		NWRG		TC		Other[3]		Total	
	2021 $M	2020 $M	2021 $M	2020 $M	2021[2] $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Cash and cash equivalents	940	955	133	82	366	–	2	5	1,441	1,042
Other current assets	58	60	239	159	9	–	2	–	308	219
Non-current assets	22,096	21,970	3,195	3,292	8,561	–	3	–	33,855	25,262
Current liabilities	(216)	(229)	(129)	(93)	(145)	–	(2)	(1)	(492)	(323)
Non-current liabilities	(10,801)	(9,516)	(3,537)	(3,466)	(3,364)	–	(2)	–	(17,704)	(12,982)
Net assets/(liabilities)	**12,077**	**13,240**	**(99)**	**(26)**	**5,427**	**–**	**3**	**4**	**17,408**	**13,218**

Summarised statement of comprehensive income—100%

	STP JV 2021 $M	STP JV 2020 $M	NWRG 2021 $M	NWRG 2020 $M	TC 2021[2] $M	TC 2020 $M	Other 2021 $M	Other 2020 $M	Total 2021 $M	Total 2020 $M
Revenue	534	353	544	413	49	–	3	2	1,130	768
Construction revenue	514	1,085	39	148	47	–	–	–	600	1,233
Depreciation and amortisation	(498)	(233)	(100)	(81)	(29)	–	–	–	(627)	(314)
Other expenses	(141)	(102)	(107)	(65)	(30)	–	(8)	(9)	(286)	(176)
Construction costs	(514)	(1,085)	(39)	(148)	(47)	–	–	–	(600)	(1,233)
Net finance costs[1]	(449)	(188)	(183)	(130)	(31)	–	–	–	(663)	(318)
Income tax (expense)/benefit	(21)	(15)	20	(33)	–	–	1	–	–	(48)
(Loss)/profit	**(575)**	**(185)**	**174**	**104**	**(41)**	**–**	**(4)**	**(7)**	**(446)**	**(88)**
Other comprehensive (loss)/income	297	(87)	4	(13)	(2)	–	–	–	299	(100)
Total comprehensive (loss)/income	**(278)**	**(272)**	**178**	**91**	**(43)**	**–**	**(4)**	**(7)**	**(147)**	**(188)**

The following table reconciles the above summarised financial information presented on a 100 per cent basis to the proportional amounts recognised by the Group:

Ownership interest	**50%**	**50%**	**50%**	**50%**	**50%**	**100%**	**4.2% - 60%**	**4.2%**		
Proportional total comprehensive (loss)/income	(65)	(77)	89	46	(13)	–	–	–	11	(31)
Amortisation of fair value uplift and other adjustments	–	(3)	–	–	(9)	–	–	(4)	(9)	(7)
Group's share of comprehensive (loss)/income	(65)	(80)	89	46	(22)	–	–	(4)	2	(38)
Profits not recognised (excluding other comprehensive income)	–	–	(87)	(52)	–	–	–	–	(87)	(52)
Group's recognised share of total comprehensive loss	(65)	(80)	–	–	(22)	–	–	(4)	(87)	(84)
Group's share of dividends/distributions received	335	22	111	149	–	–	–	–	446	171

1. STP JV net finance costs includes income of $31 million (2020: $29 million of costs) that are not recorded at the WestConnex level of the corporate structure, and are only incurred by the STP JV partners. The Group has a 50% equity interest in STP JV. Aside from some inconsequential items, the Group's effective equity interest in the remaining STP JV comprehensive income is 25.5%, reflective of Transurban's effective ownership interest in WestConnex.

2. The summarised statement of comprehensive income is presented from the date of divestment of 50% share in TC on 31 March 2021.

3. Other equity accounted investments comprises Accelerate Maryland Partners LLC and Bluedot.

Indicators of impairment

At each reporting period the Group assesses whether there is an indication of impairment. Where an indicator of impairment is identified, impairment testing is performed using the same approach as the Group's annual goodwill impairment testing. There were no indicators of impairment as at 30 June 2021.

During the year ended 30 June 2020, the Group's interest in Bluedot was diluted from 20% to 4.2% following the Group's decision not to contribute additional funding to a capital raising. The change in ownership triggered an impairment assessment and the carrying amount of the investment was impaired from $4 million to $nil. The investment continues to be equity accounted due to the Group's ability to significantly influence outcomes.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B26 Non-controlling interests—other

Set out below is the summarised financial information for each material subsidiary (refer to Note B23) that has non-controlling interests (NCI) that are material and external to the Group and the total external NCI. The amounts disclosed are before intercompany eliminations.

	Transurban Queensland		Airport Motorway		M5 West		Total NCI	
	37.5% 2021 $M	37.5% 2020 $M	24.9% 2021 $M	24.9% 2020 $M	–% 2021 $M	34.62% 2020[1] $M	2021 $M	2020 $M
Summarised balance sheet								
Current assets	415	149	18	34	–	–	433	183
Non-current assets	8,705	9,184	1,405	1,442	–	–	10,110	10,626
Current liabilities	(479)	(229)	(375)	(485)	–	–	(854)	(714)
Non-current liabilities	(6,687)	(6,853)	(773)	(657)	–	–	(7,460)	(7,510)
Net assets	**1,954**	**2,251**	**275**	**334**	**–**	**–**	**2,229**	**2,585**
Carrying amount of NCI	**733**	**844**	**68**	**83**	**–**	**–**	**801**	**927**
Summarised statement of comprehensive income								
Revenue	684	639	140	139	–	109	824	887
Expenses	(773)	(749)	(134)	(129)	–	(117)	(907)	(995)
(Loss)/profit for the year	**(89)**	**(110)**	**6**	**10**	**–**	**(8)**	**(83)**	**(108)**
Other comprehensive (loss)/income	(17)	114	7	–	–	–	(10)	114
Total comprehensive (loss)/income	**(106)**	**4**	**13**	**10**	**–**	**(8)**	**(93)**	**6**
(Loss)/profit allocated to NCI	**(33)**	**(42)**	**2**	**3**	**–**	**(3)**	**(31)**	**(42)**
Other comprehensive (loss)/income allocated to NCI	**(6)**	**43**	**1**	**–**	**–**	**–**	**(5)**	**43**
Summarised cash flows								
Cash flows from operating activities	211	131	86	82	–	62	297	275
Cash flows from investing activities	(85)	(144)	–	–	–	–	(85)	(144)
Cash flows from financing activities	127	38	(103)	(57)	–	(45)	24	(64)
Net increases/(decreases) in cash and cash equivalents	**253**	**25**	**(17)**	**25**	**–**	**17**	**236**	**67**

1. The summarised statement of comprehensive income for M5 West is presented above prior to 30 October 2019, before the acquisition of the remaining 34.62% equity interest in M5 West.

B27 Deed of cross and intra-group guarantees

Deed of cross guarantee

Transurban Holdings Limited, Transurban Limited, Tollaust Pty Limited, Roam Tolling Pty Limited, Sydney Roads Limited, Sydney Roads Management Limited, Statewide Roads Limited, M4 Holdings No. 1 Pty Limited, M5 Holdings Pty Limited, Devome Pty Limited, Transurban Funding Pty Limited, Transurban STP AHT Pty Limited, Transurban STP AT Pty Limited, Transurban STP Project Hold Co Pty Limited, Transurban STP Project Co Pty Limited, Transurban Sun Holdings Pty Ltd and Transurban Operations Pty Ltd are party to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission. The companies represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by THL, they also represent the 'extended closed group'.

Set out below is the summary financial information of the closed group.

	2021 $M	2020 $M
Summarised statement of comprehensive income		
Revenue	**462**	**418**
Operating costs	(341)	(320)
Depreciation and amortisation expense	(144)	(138)
Net finance costs	(304)	(283)
Loss before income tax	**(327)**	**(323)**
Income tax benefit	133	148
Loss for the year	**(194)**	**(175)**
Total comprehensive loss for the year	**(194)**	**(175)**

B27 Deed of cross and intra-group guarantees (continued)

Deed of cross guarantee (continued)

	2021 $M	2020 $M
Summarised movements in retained earnings		
Accumulated losses at the beginning of the year	(794)	(564)
Accumulated losses of entities that joined the 'closed group'	18	–
Loss for the year	(194)	(175)
Dividends provided for or paid	(27)	(55)
Accumulated losses at the end of the year	**(997)**	**(794)**
Summarised balance sheet		
Current assets		
Cash and cash equivalents	2,793	1,223
Trade and other receivables	968	2,503
Total current assets	**3,761**	**3,726**
Non-current assets		
Other financial assets	6,472	6,719
Equity accounted investments	901	985
Property, plant and equipment	438	420
Intangible assets	142	96
Deferred tax assets	534	513
Total non-current assets	**8,487**	**8,733**
Total assets	**12,248**	**12,459**
Current liabilities		
Trade and other payables	1,325	3,114
Provisions	77	39
Total current liabilities	**1,402**	**3,153**
Non-current liabilities		
Payables	8,903	7,164
Deferred tax liabilities	5	10
Provisions	5	5
Total non-current liabilities	**8,913**	**7,179**
Total liabilities	**10,315**	**10,332**
Net assets	**1,933**	**2,127**
Equity		
Contributed equity	2,929	2,919
Other reserves	1	2
Accumulated losses	(997)	(794)
Total equity	**1,933**	**2,127**

B27 Deed of cross and intra-group guarantees (continued)

Intra–group guarantees

As at 30 June 2021, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security. Under the stapling arrangement, each entity is able to provide direct and/or indirect support to each other entity and its controlled entities within the Group on a continual basis.

Expected credit loss

Consistent with the assessment following the onset of COVID-19 at 30 June 2020, as at 30 June 2021, management have assessed the impacts arising from COVID-19 and do not consider there to be evidence of a significant increase in credit risk since initial recognition of financial assets at amortised cost in the closed group. This is mainly due to there being no significant change in the nature of or the collectability of these balances. The loss allowance for these financial assets at amortised cost continues to be limited to 12 months of expected losses. These balances continue to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. As at 30 June 2021 the loss allowance was $10 million (2020: $22 million), reflecting management's updated estimate of the collectability of these balances.

Items not recognised

B28 Contingencies

Contingent assets are possible recoveries whose existence will only be confirmed by uncertain future events not wholly within the control of the Group. Contingent assets are not recognised on the balance sheet unless they are virtually certain but are disclosed if the inflow of economic resources is probable. Contingent liabilities are possible obligations whose existence will only be confirmed by uncertain future events and present obligations where the transfer of economic resources is not probable or cannot be reliably estimated. Contingent liabilities are not recognised on the balance sheet unless they are probable but are disclosed if the outflow of economic resource is possible.

In overseeing construction projects, from time to time it is possible payments may be made that are in excess of, or separate to, D&C subcontracted amounts to facilitate the continued progression of the project. Contingent assets and liabilities may exist in respect of actual or potential claims and commercial payments and recoveries arising from overseeing construction projects. Disclosures are made for these matters in accordance with accounting standards, or other legal disclosure obligations. This may be applicable for a number of projects overseen by Transurban including the West Gate Tunnel Project, for which additional information is detailed in Note B17, and the Group's equity accounted investments. As at 30 June 2021 any possible payment or possible claim settlement cannot be reliably estimated and/or is not considered probable of being made.

Contingent consideration paid in the period

During the year ended 30 June 2021, the Group paid $59 million to the Brisbane City Council to extinguish the contingent consideration payable for the acquisition of the Legacy Way tunnel concession asset. The payment has been presented as 'payments for intangible assets' in 'cash flows from investing activities' within the consolidated statement of cash flows for the year ended 30 June 2021.

Parent entity

The Parent entity does not have any contingent liabilities at reporting date.

Equity accounted investments

The Group's 60% equity accounted investment, AM Partners, has committed to the Maryland Department of Transportation (MDOT) a US$145 million Development Rights Fee that is payable at financial close of the first section of the Maryland Express Lanes project. As at 30 June 2021, this payment is not considered probable as it contingent on a number of uncertain future events, including AM Partners obtaining approval from Maryland's Board of Public Works to enter into a predevelopment agreement with MDOT.

Further disclosure relating to equity accounted investments is included in the key estimate below.

KEY ESTIMATE AND JUDGEMENT

The Group has a number of existing claims that it has brought against other parties with respect to the Group's obligations under its service concession arrangements. As at 30 June 2021 these claims are not considered probable and cannot be reliably estimated.

Additionally, the Group (including its equity accounted investments) has received claims in connection with its construction projects. Many of these claims have been passed through or resulted in the initiation of claims on others. In overseeing construction projects, from time to time payments may be made in excess of contracted amounts to facilitate their continued progression.

The Group (including its equity accounted investments) assess each claim that they are party to for the purposes of preparing financial statements in accordance with the accounting standards. Contingent assets and liabilities may exist in respect of actual or potential claims and commercial payments and recoveries arising from these matters. Disclosures are made for these matters in accordance with accounting standards, or other legal disclosure obligations.

As at 30 June 2021 any possible payments relating to actual or potential future claims or possible commercial payments to third parties in excess of, or separate to the amounts stipulated in the D&C subcontracts, cannot be reliably estimated and/or is not considered probable of being made.

B29 Commitments

	Capital commitments	
	2021 $M	2020 $M
Within 1 year	151	231
Later than 1 year but not later than 5 years	26	197
	177	**428**

The Group's capital commitments as of 30 June 2021 relate primarily to the West Gate Tunnel Project.

The Group's capital commitments as of 30 June 2020 relate primarily to the Fredericksburg Extension in North America. Since the disposal of the Group's 50% equity interest in TC, capital commitments for the Fredericksburg Extension are included within the share of commitments for equity accounted investments.

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B29 Commitments (continued)

Share of commitments for equity accounted investments

	STP JV 50%		NWRG 50%		TC 50%		Total	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Capital commitments (at Group's effective ownership interest)	145	369	–	6	117	–	**262**	**375**

The Group's equity accounted investment capital commitments as of 30 June 2021 primarily relate to WestConnex M4-M5 Link in STP JV and Fredericksburg Extension in TC (2020: WestConnex M5 and WestConnex M4-M5 Link in STP JV and NorthConnex in NWRG).

B30 Subsequent events

Other than as disclosed at Note B2 and elsewhere in this report, there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or Group's state of affairs, in the future years.

Other

B31 Leases

Leases as a lessee

The Group leases various office buildings. Rental contracts are typically made for fixed periods of 3 to 12 years but may have extension options. The majority of extension options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management consider all facts and circumstances that create an economic incentive to exercise an extension option.

Right-of-use Asset

The Group's right-of use assets relate to leased office buildings and are included in property, plant and equipment on the Group's consolidated balance sheet. Right-of-use assets have finite lives, are depreciated on a straight-line basis and are carried at cost less accumulated depreciation.

The net carrying amount of right-of-use assets is presented below:

	Office buildings	
	2021 $M	2020 $M
Carrying amount at 1 July	**139**	**133**
Depreciation charge for the year	(16)	(19)
Additions to right-of-use assets	–	25
Foreign exchange movements	1	–
Carrying amount at 30 June	**124**	**139**

Lease Liability

Lease liabilities are included in other liabilities on the Group's consolidated balance sheet.

	2021 $M	2020 $M
Current	(12)	(17)
Non-Current	(129)	(135)
Total lease liability	**(141)**	**(152)**

Refer to Note B15 for contractual maturities for lease liabilities.

Refer to Note B13 for interest expense on lease liabilities (included in finance costs).

Reconciliation of lease liabilities arising from financing activities

	Lease liabilities	
	2021 $M	2020 $M
Balance at 1 July	**152**	**137**
Interest paid on leases	(7)	(6)
Principal repayment of leases	(10)	(10)
Total cash flows	**(17)**	**(16)**
Non-cash changes		
Additions to right-of-use asset	–	25
Unwinding of discount	6	6
Total non-cash changes	**6**	**31**
Balance at 30 June	**141**	**152**

The total cash outflow for leases in the year ended 30 June 2021 was $17 million. The Group presents lease payments as 'principal repayments of leases' in 'cash flows from financing activities' and the finance cost as 'interest paid' in 'cash flows from operating activities' within the consolidated statement of cash flows.

B32 Related party transactions

	Joint ventures	
	2021 $'000	**2020 $'000**
Transactions with related parties		
Revenue from services	90,282	47,277
Interest income	34,878	40,872
	125,160	**88,149**

Outstanding balances with related parties

Financial assets at amortised cost		
NorthConnex shareholder loan notes	724,240	705,583
STP JV shareholder loan notes	627,450	646,497
TC loan receivable	1,728	–
Other liabilities		
NWRG payable for acquisition of customer base	(51,018)	(50,204)
TC other liabilities	(6,556)	–
Other assets		
NorthConnex shareholder loan note interest receivable	9	8
STP JV shareholder loan interest receivable	4,119	4,425
NWRG other receivables	3,565	6,313
STP JV other receivables	2,843	7,244
TC other receivables	66,693	–
	1,373,073	**1,319,866**

Section B: Notes to the Group financial statements for the year ended 30 June 2021

B32 Related party transactions (continued)

Transactions with related parties

Revenue for services

Revenue relates to tolling and management services provided to related parties.

Interest income

Interest income relates to the interest recorded on financial assets at amortised costs as noted below.

Financial assets at amortised cost

Debt financial assets carried at amortised cost relate to TC loan receivable and NorthConnex and STP JV shareholder loan notes (SLNs). The Group intends to hold the assets to maturity and to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. The SLNs are not classified as an investment for equity accounting purposes, and therefore have not been affected by equity accounting losses from the associate. All SLNs are denominated in Australian currency.

The movement of the TC loan receivable and NorthConnex and STP JV SLNs is set out below:

	NorthConnex		STP JV		TC		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Opening balance at 1 July	**705,583**	**550,185**	**646,497**	**642,805**	**–**	**–**	**1,352,080**	**1,192,990**
SLNs and loan issued	27,168	231,558	–	–	1,728	–	28,896	231,558
SLNs and loan repaid	(59,350)	(75,000)	(1,732)	–	–	–	(61,082)	(75,000)
Day 1 fair value adjustment for SLNs issued[1]	–	(27,805)	–	–	–	–	–	(27,805)
Capitalisation of accrued interest	3,102	2,949	10,954	12,154	–	–	14,056	15,103
Unwind of discount and remeasurement of SLNs[2]	47,536	23,398	(31,166)	(6,726)	–	–	16,370	16,672
Change in expected credit losses	201	298	2,897	(1,736)	–	–	3,098	(1,438)
Closing balance at 30 June	**724,240**	**705,583**	**627,450**	**646,497**	**1,728**	**–**	**1,353,418**	**1,352,080**

1. *During the year ended 30 June 2020, a non-interest bearing facility with NWRG was drawn on for the first time. The interest free loan was recorded at fair value on initial recognition and is subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the interest free loan and the fair value was treated as a contribution to the equity accounted investment in NWRG.*
2. *Includes adjustments from updating the expected timing of cash repayments from the SLNs.*

NorthConnex shareholder loan notes

The NorthConnex SLNs consist of an interest-bearing SLN facility with a fixed rate of 5.9% and a maturity date of June 2048 and two non-interest bearing facilities with maturity dates of June 2024 and June 2048 respectively. The SLNs are presented within non-current financial assets in the consolidated balance sheet. As at 30 June 2021, the repayment profile for these SLNs have been updated to reflect an uplift in forecast toll revenue based on observed traffic data following the opening of NorthConnex in October 2020.

The nominal value of the NorthConnex SLNs as at 30 June 2021 is $955,967 thousand (30 June 2020 is $985,047 thousand).

STP JV shareholder loan notes

The STP JV SLNs earn interest at a rate equivalent to the weighted average of the interest rate applicable to WestConnex's senior secured debt plus a margin. The agreement includes a mechanism to capitalise interest should funds not be available to settle accrued interest. The SLNs are repayable 10 years after their respective issuance date. The SLNs are presented within non-current financial assets in the consolidated balance sheet. The Group measured the SLNs at fair value on initial recognition and they are subsequently measured at amortised cost using the effective interest method. Any difference between the nominal value of the SLNs and their fair value at initial recognition is treated as a contribution to the equity accounted investment in STP JV. As at 30 June 2021, the repayment profile for these SLNs has been updated to reflect updates to interest cash flow assumptions following recent debt refinancing activities and lower forecast toll revenue arising from the COVID-19 government mandated restrictions and the associated deferral of SLN repayments. The nominal value of the STP JV SLNs as at 30 June 2021 is $721,376 thousand (30 June 2020 is $712,154 thousand).

Expected credit loss

Consistent with the assessment following the onset of COVID-19 at 30 June 2020, as at 30 June 2021, management have assessed the impacts arising from COVID-19 and do not consider there to be evidence of a significant increase in credit risk since initial recognition of these balances. This is mainly due to there being no significant change in the nature of or the collectability of these balances. The loss allowance for these financial assets at amortised cost continues to be limited to 12 months of expected losses. These balances continue to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. As at 30 June 2021 the loss allowance was $2,340 thousand (2020: $5,438 thousand), reflecting management's updated estimate of the collectability of these balances.

B33 Key management personnel compensation

	2021 $	2020 $
Short-term employee benefits	12,001,338	10,800,445
Post-employment benefits	295,482	292,430
Termination benefits	–	1,534,006
Long-term benefits (long service leave)	40,904	(44,097)
Share based payments	1,185,109	911,053
Deferred short term incentives	1,784,925	2,740,923
	15,307,758	**16,234,760**

Detailed remuneration disclosures including the key management personnel are made in the remuneration report in the Directors' report.

B34 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group and its related practices.

(a) Amounts received or due and receivable by PricewaterhouseCoopers Australia

	2021 $	2020 $
Services performed by PriceWaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial reports	2,983,374	2,766,510
Other assurance services	783,000	677,000
	3,766,374	3,443,510
Other consulting services	–	340,000
Total remuneration of PricewaterhouseCoopers Australia	**3,766,374**	**3,783,510**

(b) Amounts received or due and receivable by network firms of PricewaterhouseCoopers Australia

	2021 $	2020 $
Services performed by other PriceWaterhouseCoopers network firms Audit and other assurance services		
Audit and other assurance services		
Audit and review of financial reports	559,216	1,013,309
Other assurance services	–	270,000
	559,216	1,283,309
Other consulting services	–	–
Total remuneration for other PriceWaterhouseCoopers network firms	**559,216**	**1,283,309**
Total auditors remuneration	**4,325,590**	**5,066,819**

B35 Parent entity disclosures

The financial information for the Parent entity, Transurban Holdings Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the Parent entity financial statements of Transurban Holdings Limited. Dividends received from associates are recognised in the Parent entity's profit and loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation

In addition to its own current and deferred tax amounts, Transurban Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Summary financial information

The individual financial statements for the Parent entity report the following aggregate amounts:

	2021 $M	2020 $M
Balance sheet		
Current assets	1,181	2,895
Total assets	7,929	8,890
Current liabilities	3,715	4,711
Total liabilities	4,574	5,567
Net assets	**3,355**	**3,323**
Shareholders' equity		
Contributed equity	2,929	2,919
Reserves	1	2
Retained earnings	425	402
Total equity	**3,355**	**3,323**
Profit for the year	49	135
Total comprehensive income	**49**	**135**

Expected credit loss

Consistent with the assessment following the onset of COVID-19 at 30 June 2020, as at 30 June 2021, management have assessed the impacts arising from COVID-19 and do not consider there to be evidence of a significant increase in credit risk since initial recognition of financial assets at amortised cost in the Parent entity. This is mainly due to there being no significant change in the nature of or the collectability of these balances. The loss allowance for these financial assets at amortised cost continues to be limited to 12 months of expected losses. These balances continue to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. As at 30 June 2021 the loss allowance was $8 million (2020: $16 million), reflecting management's updated estimate of the collectability of these balances.

Guarantees entered into by the Parent entity

There are cross guarantees given by Transurban Holdings Limited, Transurban Limited, Tollaust Pty Limited, Roam Tolling Pty Limited, Sydney Roads Limited, Sydney Roads Management Limited, Statewide Roads Limited, M4 Holdings No 1 Pty Limited, M5 Holdings Pty Limited, Devome Pty Limited, Transurban Funding Pty Limited, Transurban STP AHT Pty Limited, Transurban STP AT Pty Limited, Transurban STP Project Hold Co Pty Limited, Transurban STP Project Co Pty Limited, Transurban Sun Holdings Pty Ltd and Transurban Operations Pty Ltd as described in Note B27.

Section C: Transurban Holding Trust (THT) and Transurban International Limited (TIL) financial statements

THT—ARSN 098 807 419 and TIL—ABN 90 121 746 825

Section C: THT and TIL financial statements for the year ended 30 June 2021

Transurban Holding Trust and Transurban International Limited
Consolidated statements of comprehensive income for the year ended 30 June 2021

	Note	Transurban Holding Trust 2021 $M	Transurban Holding Trust 2020 $M	Transurban International Limited 2021 $M	Transurban International Limited 2020 $M
Continuing operations[1]					
Revenue	D4	**900**	**1,109**	**71**	**59**
Expenses					
Employee benefits expense		–	–	(36)	(27)
Road operating costs		–	–	(26)	(28)
Construction costs		(122)	(212)	–	–
Transaction and integration costs		–	–	–	(1)
Corporate and other expenses		(11)	(10)	(17)	(2)
Total expenses		**(133)**	**(222)**	**(79)**	**(58)**
Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income taxes		**767**	**887**	**(8)**	**1**
Amortisation		(327)	(327)	(57)	(62)
Depreciation		–	–	(5)	(7)
Total depreciation and amortisation		**(327)**	**(327)**	**(62)**	**(69)**
Net finance costs	D9	(44)	(148)	(25)	(80)
Share of (loss)/profit of equity accounted investments, inclusive of impairments	D15	(96)	32	(21)	(4)
Profit/(loss) before income tax		**300**	**444**	**(116)**	**(152)**
Income tax benefit/(expense)		16	(5)	8	–
Profit/(loss) for the year		**316**	**439**	**(108)**	**(152)**
Discontinued operations					
Profit/(loss) for the year from discontinued operations		**–**	**–**	**3,454**	**(103)**
Profit/(loss) for the year from continuing and discontinued operations		**316**	**439**	**3,346**	**(255)**
Profit/(loss) is attributable to:					
Ordinary security holders of TIL		–	–	3,346	(255)
Ordinary unit holders of THT		347	444	–	–
Non-controlling interests	D16	(31)	(5)	–	–
Profit/(loss) for the year		**316**	**439**	**3,346**	**(255)**
Other comprehensive income					
Gains reclassified on disposal of subsidiary, net of tax	D8	–	–	(166)	–
Items that may be reclassified to profit and loss in the future					
Changes in the fair value of cash flow hedges, net of tax		61	73	15	(16)
Share of other comprehensive income from equity accounted investments, net of tax	D15	77	(29)	(1)	–
Exchange differences on translation of North American operations, net of tax		–	–	119	–
Other comprehensive income/(loss) for the year, net of tax		**138**	**44**	**(33)**	**(16)**
Total comprehensive income/(loss) for the year		**454**	**483**	**3,313**	**(271)**
Total comprehensive income/(loss) for the year is attributable to:					
Ordinary security holders of TIL		–	–	3,313	(271)
Ordinary unit holders of THT		490	445	–	–
Non-controlling interests—other		(36)	38	–	–
Total comprehensive income/(loss) for the year		**454**	**483**	**3,313**	**(271)**
		Cents	Cents	Cents	Cents
Earnings from continuing operations per security attributable to ordinary security holders of the stapled group	D7	**12.7**	**16.3**	**(4.0)**	**(5.6)**
Earnings per security attributable to ordinary security holders of the stapled group	D7	**12.7**	**16.3**	**122.2**	**(9.4)**

1. *Unless otherwise stated, statutory financial information in this report has been reclassified to present the results of TC as discontinued operations in the current period and prior comparative period. During the period, TIL divested 50% of its equity interest in TC which holds the 495 Express Lanes and 95 Express Lanes concessions. Refer to Note B24 for further information*

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Transurban Holding Trust and Transurban International Limited Consolidated balance sheets as at 30 June 2021

	Note	Transurban Holding Trust 2021 $M	Transurban Holding Trust 2020 $M	Transurban International Limited 2021 $M	Transurban International Limited 2020 $M
Assets					
Current assets					
Cash and cash equivalents		116	128	560	599
Related party receivables	D18	1,013	1,493	5	4
Trade and other receivables		10	11	118	62
Total current assets		**1,139**	**1,632**	**683**	**665**
Non-current assets					
Equity accounted investments	D15	2,149	2,419	2,714	–
Derivative financial instruments	D11	44	299	–	–
Related party receivables	D18	9,064	9,170	–	–
Concession notes	D18	855	786	–	–
Concession financial asset		–	–	330	331
Financial assets at amortised cost	D18	627	646	2	–
Property, plant and equipment		–	–	28	79
Deferred tax assets	D5	67	44	–	291
Other intangible assets	D12	9,314	9,636	1,225	5,133
Total non-current assets		**22,120**	**23,000**	**4,299**	**5,834**
Total assets		**23,259**	**24,632**	**4,982**	**6,499**
Liabilities					
Current liabilities					
Related party payables	D18	490	1,294	12	966
Trade and other payables		64	63	29	92
Current tax liabilities		–	–	168	–
Borrowings	D10	441	320	4	4
Maintenance provision		–	–	4	23
Distribution provision	D6	600	476	–	–
Derivative financial instruments	D11	2	1	–	–
Construction obligation provision		60	114	–	–
Other liabilities		–	–	38	48
Total current liabilities		**1,657**	**2,268**	**255**	**1,133**
Non–current liabilities					
Maintenance provision		–	–	27	178
Deferred tax liabilities	D5	6	–	1,031	326
Related party payables	D18	3,693	3,796	421	1,627
Borrowings	D10	7,166	7,279	594	3,459
Derivative financial instruments	D11	208	154	113	245
Construction obligation provision		66	122	–	–
Other liabilities		77	60	7	314
Total non–current liabilities		**11,216**	**11,411**	**2,193**	**6,149**
Total liabilities		**12,873**	**13,679**	**2,448**	**7,282**
Net assets/(liabilities)		**10,386**	**10,953**	**2,534**	**(783)**
Equity					
Contributed equity		–	–	599	595
Issued units		16,527	16,504	–	–
Reserves	D8	(91)	(234)	(256)	(223)
Accumulated (loss)/profit		(6,773)	(6,148)	2,191	(1,155)
Non-controlling interests—other	D16	723	831	–	–
Total equity		**10,386**	**10,953**	**2,534**	**(783)**

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Section C: THT and TIL financial statements for the year ended 30 June 2021

Transurban Holding Trust and Transurban International Limited Consolidated statements of changes in equity for the year ended 30 June 2021

THT

	Attributable to security holders of Transurban Holding Trust					
	No of units M	Issued units $M	Reserves $M	Accumulated losses $M	Non-controlling interests $M	Total $M
Balance at 1 July 2020	**2,735**	**16,504**	**(234)**	**(6,148)**	**831**	**10,953**
Comprehensive income/(loss)						
Profit/(loss) for the year	–	–	–	347	(31)	316
Other comprehensive income/(loss)	–	–	143	–	(5)	138
Total comprehensive income/(loss)	**–**	**–**	**143**	**347**	**(36)**	**454**
Transactions with owners in their capacity as owners						
Employee performance awards issued	1	4	–	–	–	4
Distributions provided for or paid	–	–	–	(972)	–	(972)
Distribution reinvestment plan	2	19	–	–	–	19
Distributions to non-controlling interests	–	–	–	–	(72)	(72)
	3	**23**	**–**	**(972)**	**(72)**	**(1,021)**
Balance at 30 June 2021	**2,738**	**16,527**	**(91)**	**(6,773)**	**723**	**10,386**
Balance at 1 July 2019	**2,675**	**15,954**	**(233)**	**(5,363)**	**862**	**11,220**
Comprehensive income						
Profit/(loss) for the year	–	–	–	444	(5)	439
Other comprehensive income	–	–	1	–	43	44
Total comprehensive income	**–**	**–**	**1**	**444**	**38**	**483**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs[1]	55	511	–	–	–	511
Employee performance awards issued	1	5	(2)	–	–	3
Distributions provided for or paid	–	–	–	(1,229)	–	(1,229)
Distribution reinvestment plan	4	34	–	–	–	34
Distributions to non-controlling interests	–	–	–	–	(69)	(69)
	60	**550**	**(2)**	**(1,229)**	**(69)**	**(750)**
Balance at 30 June 2020	**2,735**	**16,504**	**(234)**	**(6,148)**	**831**	**10,953**

1. *Refer to the Group's consolidated statement of changes in equity for further information.*

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Transurban Holding Trust and Transurban International Limited
Consolidated statements of changes in equity for the year ended 30 June 2021 (continued)

TIL

	Attributable to security holders of Transurban International Limited				
	No. of securities M	Contributed equity $M	Reserves $M	Accumulated (losses)/profit $M	Total equity $M
Balance at 1 July 2020	**2,735**	**595**	**(223)**	**(1,155)**	**(783)**
Comprehensive income/(loss)					
Profit for the year	–	–	–	3,346	3,346
Other comprehensive loss	–	–	(33)	–	(33)
Total comprehensive (loss)/income	**–**	**–**	**(33)**	**3,346**	**3,313**
Transactions with owners in their capacity as owners					
Employee performance awards issued	1	1	–	–	1
Distribution reinvestment plan	2	3	–	–	3
	3	**4**	**–**	**–**	**4**
Balance at 30 June 2021	**2,738**	**599**	**(256)**	**2,191**	**2,534**
Balance at 1 July 2019	**2,675**	**522**	**(207)**	**(900)**	**(585)**
Comprehensive loss					
Loss for the year	–	–	–	(255)	(255)
Other comprehensive loss	–	–	(16)	–	(16)
Total comprehensive loss	**–**	**–**	**(16)**	**(255)**	**(271)**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs[1]	55	67	–	–	67
Employee performance awards issued	1	1	–	–	1
Distribution reinvestment plan	4	5	–	–	5
	60	**73**	**–**	**–**	**73**
Balance at 30 June 2020	**2,735**	**595**	**(223)**	**(1,155)**	**(783)**

1. Refer to the Group's consolidated statement of changes in equity for further information.

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Section C: THT and TIL financial statements for the year ended 30 June 2021

Transurban Holding Trust and Transurban International Limited Consolidated statements of cash flows for the year ended 30 June 2021

	Note	Transurban Holding Trust 2021 $M	Transurban Holding Trust 2020 $M	Transurban International Limited 2021 $M	Transurban International Limited 2020 $M
Cash flows from operating activities					
Receipts from customers		776	880	138	294
Payments to suppliers and employees		(45)	(39)	(112)	(127)
Payments for maintenance of intangible assets		–	–	(10)	(8)
Transaction and integration costs		–	–	(18)	(1)
Other cash receipts		1	5	28	15
Interest received		198	296	–	7
Interest paid		(486)	(535)	(135)	(122)
Income taxes paid		–	–	(10)	(7)
Net cash inflow/(outflow) from operating activities	(a)	**444**	**607**	**(119)**	**51**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		–	–	49	–
Payments for property, plant and equipment		–	–	(24)	(26)
Payments for intangible assets		(124)	(229)	(104)	(364)
Payments for financial assets at amortised cost		–	–	(2)	–
Capital contribution to equity accounted investments		(113)	(48)	(2)	–
Receipts from concession notes		88	124	–	–
Distributions received from equity accounted investments		364	171	–	–
Proceeds from disposal of subsidiaries, net of cash disposed		–	–	2,337	–
Repayment of held-to-maturity investments		2	–	–	–
Net cash inflow/(outflow) from investing activities		**217**	**18**	**2,254**	**(390)**
Cash flows from financing activities					
Loans (to)/from related parties	(b)	(3,326)	(3,129)	40	8
Repayment of loans from/(to) related parties	(b)	3,230	3,153	(2,161)	(76)
Proceeds from equity issues of stapled securities (net of costs)		–	511	–	67
Proceeds from borrowings (net of costs)	(b)	1,240	2,027	–	419
Principal repayment of leases		–	–	(1)	(1)
Repayment of borrowings	(b)	(927)	(1,619)	(10)	(12)
Dividends and distributions paid to the Group's security holders		(818)	(1,490)	–	–
Distributions paid to non-controlling interests		(72)	(69)	–	–
Net cash (outflow)/inflow from financing activities		**(673)**	**(616)**	**(2,132)**	**405**
Net (decrease)/ increase in cash and cash equivalents		**(12)**	**9**	**3**	**66**
Cash and cash equivalents at the beginning of the year		128	119	599	512
Effects of exchange rate changes on cash and cash equivalents		–	–	(42)	21
Cash and cash equivalents at end of year		**116**	**128**	**560**	**599**

Refer to Note B24 for cash flows from discontinued operations.

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Transurban Holding Trust 2021 $M	Transurban Holding Trust 2020 $M	Transurban International Limited 2021 $M	Transurban International Limited 2020 $M
Profit/(loss) for the year from continuing and discontinued operations	**316**	**439**	**3,346**	**(255)**
Depreciation and amortisation	327	327	83	112
Gain on disposal of interest in TC	–	–	(3,687)	–
Non-cash net finance costs	1	(9)	154	193
Capitalised interest income	(159)	(270)	–	–
Non-cash net (income)/cost on concession notes	(115)	164	–	–
Share of (profit)/loss from equity accounted investments, inclusive of impairments	96	(32)	21	4
Change in operating assets and liabilities:				
Decrease/(increase) in trade and other receivables	–	12	(35)	4
(Decrease)/increase in related party operating loans	(43)	(35)	(2)	(5)
Increase/(decrease) in operating creditors and accruals	3	8	28	5
Increase in other operating provisions	–	–	–	9
Increase/(decrease) in deferred and current taxes	1	5	(47)	(56)
Increase in maintenance provision	–	–	20	40
(Decrease)/increase in other liabilities	17	(2)	–	–
Net cash inflow/(outflow) from operating activities	**444**	**607**	**(119)**	**51**

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Section C: THT and TIL financial statements for the year ended 30 June 2021

Transurban Holding Trust and Transurban International Limited Consolidated statements of cash flows for the year ended 30 June 2021 (continued)

(b) Reconciliation of liabilities arising from financing activities

THT

	Borrowings current $M	Borrowings non-current $M	Debt principal related derivatives (included in assets / liabilities)[1] $M	Total debt related financial instruments $M	Net related party (receivables) $M
Balance at 1 July 2020	**320**	**7,279**	**(518)**	**7,081**	**(5,573)**
Proceeds from borrowings (net of costs)	–	1,240	–	1,240	–
Repayment of borrowings	(300)	(627)	–	(927)	–
Loans to related parties	–	–	–	–	(3,326)
Repayment of loans from related parties	–	–	–	–	3,230
Total cash flows	**(300)**	**613**	**–**	**313**	**(96)**
Non-cash changes					
Transfer	421	(421)	–	–	–
Capitalised interest	–	–	–	–	(175)
Amortisation of borrowing costs	–	15	–	15	–
Intercompany non-cash settlements	–	–	–	–	(27)
Provision for impairment of intercompany loans	–	–	–	–	(10)
Foreign exchange movements	–	(320)	313	(7)	(13)
Total non-cash changes	**421**	**(726)**	**313**	**8**	**(225)**
Balance at 30 June 2021	**441**	**7,166**	**(205)**	**7,402**	**(5,894)**

1. *Total derivatives balance as at 30 June 2021 is a liability of $166 million. The difference in carrying value to the table above relates to interest rate swap contracts, forward exchange contracts, the interest portion of cross-currency interest rate swap contracts and credit valuation and debit valuation adjustments which are excluded from the balances above.*

	Borrowings current $M	Borrowings non-current $M	Debt principal related derivatives (included in assets / liabilities)[1] $M	Total debt related financial instruments $M	Net related party (receivables) $M
Balance at 1 July 2019	**648**	**6,426**	**(309)**	**6,765**	**(5,341)**
Proceeds from borrowings (net of costs)	–	2,027	–	2,027	–
Repayment of borrowings	(648)	(971)	–	(1,619)	–
Loans to related parties	–	–	–	–	(3,129)
Repayment of loans from related parties	–	–	–	–	3,153
Total cash flows	**(648)**	**1,056**	**–**	**408**	**24**
Non-cash changes					
Transfer	320	(320)	–	–	–
Capitalised interest	–	–	–	–	(256)
Amortisation of borrowing costs	–	7	–	7	–
Intercompany non-cash settlements	–	–	–	–	(12)
Provision for impairment of intercompany loans	–	–	–	–	14
Foreign exchange movements	–	110	(209)	(99)	(2)
Total non-cash changes	**320**	**(203)**	**(209)**	**(92)**	**(256)**
Balance at 30 June 2020	**320**	**7,279**	**(518)**	**7,081**	**(5,573)**

1. *Total derivatives balance as at 30 June 2020 is an asset of $144 million. The difference in carrying value to the table above relates to interest rate swap contracts, forward exchange contracts, the interest portion of cross-currency interest rate swap contracts and credit valuation and debit valuation adjustments which are excluded from the balances above.*

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Transurban Holding Trust and Transurban International Limited
Consolidated statements of cash flows for the year ended 30 June 2021 (continued)

b) Reconciliation of liabilities arising from financing activities (continued)

TIL

	Borrowings current $M	Borrowings non-current $M	Total borrowings $M	Net related party payables $M
Balance at 1 July 2020	**4**	**3,459**	**3,463**	**2,589**
Repayment of borrowings	(4)	(6)	(10)	–
Loans from related parties	–	–	–	43
Loans to related parties	–	–	–	(3)
Repayment of loans to related parties	–	–	–	(2,161)
Total cash flows	**(4)**	**(6)**	**(10)**	**(2,121)**
Non-cash changes				
Disposals through loss of control of subsidiary[1]	–	(2,600)	(2,600)	10
Transfer	4	(4)	–	–
Capitalised interest	–	21	21	60
Intercompany net settlements	–	–	–	(13)
Amortisation of borrowing costs	–	7	7	–
Non substantial modification gain	–	(9)	(9)	–
Foreign exchange movements	–	(274)	(274)	(97)
Total non-cash changes	**4**	**(2,859)**	**(2,855)**	**(40)**
Balance at 30 June 2021	**4**	**594**	**598**	**428**

1. Relates to the deconsolidation of the Group's ownership interest in TC upon divestment of a 50% ownership interest (refer to Note B24).

	Borrowings current $M	Borrowings non-current $M	Total borrowings $M	Net related party payables $M
Balance at 1 July 2019	**4**	**2,959**	**2,963**	**2,534**
Proceeds from borrowings (net of costs)	–	419	419	–
Repayment of borrowings	(4)	(8)	(12)	–
Loans from related parties	–	–	–	8
Repayment of loans to related parties	–	–	–	(76)
Capitalised premiums and discounts included in operating cash flows and investing cash flows	–	21	21	–
Total cash flows	**(4)**	**432**	**428**	**(68)**
Non-cash changes				
Transfer	4	(4)	–	–
Capitalised interest	–	14	14	120
Intercompany net settlements	–	–	–	(18)
Amortisation of borrowing costs	–	10	10	–
Foreign exchange movements	–	48	48	21
Total non-cash changes	**4**	**68**	**72**	**123**
Balance at 30 June 2020	**4**	**3,459**	**3,463**	**2,589**

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Section D: Notes to the THT and TIL financial statements

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

Basis of preparation and significant changes

D1 Summary of significant changes in the current reporting period

Refer to Note B2 for significant changes in the current reporting period.

D2 Basis of preparation

The Transurban Holding Trust Group consists of Transurban Holding Trust and the entities it controls (THT) and the Transurban International Limited Group consists of Transurban International Limited and the entities it controls (TIL). THT and TIL form part of the stapled Transurban Group.

THT is registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001, and as a result requires a responsible entity. The responsible entity of the THT is Transurban Infrastructure Management Limited (TIML). TIML is responsible for performing all functions that are required under the Corporations Act 2001 of a responsible entity.

The Transurban Holding Trust was established on 15 November 2001 and has no termination date. The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 28 November 2001.

THT is a Trust registered and domiciled in Australia.

TIL is a public company limited by shares and incorporated in Australia.

Going concern

The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. In determining the appropriateness of the basis of preparation, the Directors have considered the impact of COVID-19 on THT and TIL's operations and in particular the next 12 months from the financial statements release date on 9 August 2021.

Refer to Note B2 for details of the impact of COVID-19 on the current reporting period.

While the long-term strategy of THT and TIL remains unchanged, the ongoing impact of COVID-19 is uncertain and continues to represent a risk to the global economy. For TIL, traffic performance is expected to remain sensitive to future government responses to COVID-19 outbreaks, as well as global economic conditions.

In response to this uncertainty, THT and TIL have critically assessed cash flow forecasts for the 12 months from the date of this report, taking into consideration an estimate of the potential continued impacts of COVID-19. In addition, the Directors have considered the ability of THT to fund its net current liability position as at 30 June 2021 of $518 million. Excluding related party payables, THT is in a net current liability position of $28 million. Scenario analysis has been undertaken on cash flow forecasts to reflect reasonably possible changes in traffic volume and includes funding future debt financing through the use of existing debt facilities and cash and cash equivalents as at 30 June 2021. Based on the analysis, which includes judgement, THT and TIL are expected to have sufficient headroom to continue to operate within available cash levels and the terms of available debt facilities, and for THT to fund its net current liability position as at 30 June 2021.

THT and TIL have also forecast that they do not expect to breach any financial covenants within the next 12 months from the date of this report. Financial covenant forecasts utilised the same underlying cash flow forecasts as those described above, with asset specific scenario analysis overlaid to adjust for reasonably possible changes in assumptions. Non-recourse debt financial covenants are calculated on a trailing 12-month basis.

The Directors have also taken the following matters into consideration in forming the view that THT and TIL are a going concern:

- THT has generated positive cash inflows from operating activities of $444 million for the year ended 30 June 2021;
- TIL has generated negative cash flow from operating activities of $119 million for the year ended 30 June 2021, however is not dependent on the generation of near term positive operating cash flow to maintain required liquidity levels;
- THT and TIL expect to refinance or repay with available cash all borrowing facilities classified as a current liability as at 30 June 2021. Under the stapled arrangement, each entity is able to provide direct and/or indirect support to each other entity and its controlled entities within the Transurban Group; and
- THT has paid $818 million of distributions to Transurban Group's security holders over the past 12 months. Payment of future distributions is at the discretion of the Board.

Refer to Note B2 for further information on the basis of preparation for the Transurban Group.

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

Operating performance

D3 Segment information

Refer to Note B4 for further information around the structure of the segments for the Transurban Group.

THT operating segments

Management have determined that THT has one operating segment.

THT operations involve the leasing of assets and the provision of funding to the Transurban Group or associates of the Transurban Group. All revenues and expenses are directly attributable to these activities. The management structure and internal reporting of the Trust are based on this one operating segment.

TIL operating segments

Management have determined that TIL has one operating segment.

TIL's operations involve the development, operation and maintenance of toll roads in North America. All revenues and expenses are directly attributable to these activities. The management structure and internal reporting of TIL are based on this one operating segment.

Proportional segment information includes the results of discontinued operations, being TC, which includes the 495 Express Lanes and 95 Express Lanes assets.

Reconciliation of segment information to statutory financial information

Segment information for TIL as disclosed in the Transurban Group segment note (Note B4) is reconciled to the TIL statutory financial information below.

Segment revenue

Revenue from external customers is through toll and service and fee revenues earned on toll roads. There are no inter-segment revenues within the North America segment. Segment revenue reconciles to total statutory revenue as follows:

TIL	Note	2021 $M	2020 $M
Total segment revenue (proportional)		**188**	**294**
Add:			
Construction revenue from road development activities		87	240
Other revenue from discontinued operations[1]		6	8
Intragroup elimination[2]		5	–
Less:			
Proportional revenue of non-100% owned equity accounted assets		(24)	–
Toll revenue receipts on A25 relating to concession financial asset[3]		(13)	(13)
Other revenue receipts on A25 relating to concession financial asset[3]		(14)	(15)
Revenue attributable to discontinued operations[1]		(164)	(455)
Total statutory revenue from continuing operations	D4	**71**	**59**

1. Statutory financial information classifies the results of TC as discontinued operations in the current and prior comparative period. Other revenue from discontinued operations represents intragroup revenue recognised in relation to arrangements between continuing and discontinued operations that is eliminated for segment purposes.
2. Statutory revenue recognised in relation to arrangements with the equity accounted investments that are eliminated for segment purposes.
3. The Executive Committee members acting as the chief operating decision maker assesses the performance of TIL using proportional results that include A25 income streams relating to availability payments and guaranteed toll income which are classified as revenue within the proportional results. These revenues form part of the ordinary activities of the A25 asset and are reflective of its underlying performance. For statutory accounting purposes, these income streams offset the related concession financial asset receivable recorded on acquisition of the A25 (refer to Note B18).

Proportional EBITDA

Proportional EBITDA reconciles to (loss)/profit before income tax as follows:

TIL	2021 $M	2020 $M
Proportional EBITDA	**54**	**153**
Less: EBITDA attributable to TIL corporate activities (disclosed in corporate and other)[1]	(37)	(21)
Less: Toll and other revenue receipts on A25 concession financial asset relating to repayments received from MTQ	(27)	(28)
Less: Proportional EBITDA of non-100% owned equity accounted investments	(10)	–
Less: EBITDA from discontinued operations net of transaction costs on disposal[2]	12	(103)
Statutory earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes from continuing operations	**(8)**	**1**
Statutory depreciation and amortisation from continuing operations	(62)	(69)
Statutory net finance costs from continuing operations	(25)	(80)
Share of loss from equity accounted investments, inclusive of impairments from continuing operations	(21)	(4)
Loss before income tax from continuing operations	**(116)**	**(152)**

1. Relates primarily to development activities.
2. Statutory financial information classifies the results of TC as discontinued operations in the current and prior comparative period. Proportional EBITDA includes $18 million transaction costs on disposal of TC which are included within the statutory gain on disposal and not within statutory EBITDA.

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

D4 Revenue

	THT		TIL	
	2021 $M	2020 $M	2021 $M	2020 $M
Toll revenue	–	–	54	51
Rental income	734	843	–	–
Construction revenue	122	212	–	–
Other revenue	3	9	17	8
Concession fees	41	45	–	–
Total revenue from continuing operations	**900**	**1,109**	**71**	**59**

For accounting policies on Toll revenue, construction revenue and other revenue, refer to Note B5.

Revenue type	Recognition
Rental income	The rental income revenue stream relates to lease payments received from operating leases on the property held by THT. This income is recognised in accordance with the terms of the lease contract.
Concession fees	Other income from concession fees relates to the CityLink concession notes. Pursuant to the Agreement for the Melbourne CityLink Concession Deed (the Concession Deed), CityLink Melbourne Limited (CityLink) (a member of the Transurban Group), is required to pay annual concession fees for the duration of CityLink's concession period. Until a certain threshold rate of return on the project is achieved, the payment of concession fees due under the Concession Deed can be satisfied by means of non-interest bearing concession notes. Following agreements reached with the State of Victoria (the State), the Group paid a total of $765 million to the State to have all current concession notes issued by the State assigned to Transurban Holding Trust, and the State directed CityLink to pay future concession notes to Transurban Holding Trust. Accordingly, CityLink continues to issue notes semi-annually to Transurban Holding Trust, and Transurban Holding Trust recognises concession note income from the issue of these notes, at the present value of expected future repayments.

D5 Income tax

Deferred tax assets and liabilities—TIL

	Asset		Liability	
	2021 $M	2020 $M	2021 $M	2020 $M
The balance comprises temporary difference attributable to:				
Accrued expenses	–	2	–	(3)
Provisions	11	66	–	–
Current and prior year losses	28	472	–	–
Fixed assets/intangibles	7	28	(344)	(697)
Derivatives and foreign exchange	31	91	–	–
Equity accounted investments	–	–	(764)	–
Other	–	6	–	–
Tax assets/(liabilities)	**77**	**665**	**(1,108)**	**(700)**
Set off of tax	(77)	(374)	77	374
Net tax assets/(liabilities)	**–**	**291**	**(1,031)**	**(326)**
Movements:				
Opening balance at 1 July	**665**	**520**	**(700)**	**(627)**
Credited/(charged) to profit or loss	–	8	(3)	(51)
Credited/(charged) to equity	(8)	8	(2)	–
Disposed through other comprehensive income[1]	(13)	–	–	–
Disposed through profit or loss[1]	(96)	–	326	–
Acquired[1]	–	–	(764)	–
Foreign exchange movements	(54)	7	23	(3)
Transfer from deferred tax assets/liabilities	(11)	13	11	(13)
Current year losses recognised/(prior year losses utilised) and under/(over) provision in prior years	(406)	104	1	(6)
Other	–	5	–	–
Closing balance at 30 June	**77**	**665**	**(1,108)**	**(700)**
Deferred tax assets/(liabilities) to be recovered/(paid) after more than 12 months	**77**	**665**	**(1,108)**	**(700)**

1. Relates to the net impact of the deconsolidation of the Group's ownership interest in TC and recognition of an equity accounted investment in TC upon divestment of a 50% ownership interest (refer to Note B24).

Security holder outcomes

D6 Distributions

Refer to Note B10 of the Group financial statements for the dividends/distributions paid and payable by the Group.

Movements in distribution provision—THT

	Distribution to security holders $M	Distributions to non-controlling interest in subsidiaries $M	Total $M
Balance at 1 July 2020	**437**	**39**	**476**
Additional provision recognised	972	72	1,044
Amounts paid	(818)	(72)	(890)
Amounts reinvested	(30)	–	(30)
Balance at 30 June 2021	**561**	**39**	**600**
Balance at 1 July 2019	**749**	**39**	**788**
Additional provision recognised	1,229	69	1,298
Amounts paid	(1,490)	(69)	(1,559)
Amounts reinvested	(51)	–	(51)
Balance at 30 June 2020	**437**	**39**	**476**

D7 Earnings per stapled security

Reconciliation of earnings used in calculating earnings per security

		THT		TIL
	2021	**2020**	**2021**	**2020**
Profit/(loss) attributable to ordinary security holders ($M)				
Continuing operations	347	444	(108)	(152)
Discontinued operations	–	–	3,454	(103)
Total	**347**	**444**	**3,346**	**(255)**
Weighted average number of securities (M)	2,737	2,725	2,737	2,725
Basic and diluted earnings per security attributable to the ordinary security holders (cents)				
Continuing operations	12.7	16.3	(4.0)	(5.6)
Discontinued operations	–	–	126.2	(3.8)
Total	**12.7**	**16.3**	**122.2**	**(9.4)**

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

Capital and borrowings

D8 Reserves

Refer to Note B12 for a description of the nature and purpose of each reserve.

THT

	Cash flow hedges $M	Cost of hedging $M	Share based payments $M	Total $M
Balance at 1 July 2020	**(238)**	–	**4**	(234)
Revaluation—gross	63	–	–	63
Share based payments	–	–	–	–
Deferred tax	3	–	–	3
Share of other comprehensive income of equity accounted investments, net of tax	76	1	–	77
Balance at 30 June 2021	**(96)**	**1**	**4**	**(91)**
Balance at 1 July 2019	**(239)**	**–**	**6**	**(233)**
Revaluation—gross	57	–	–	57
Share based payments	–	–	(2)	(2)
Deferred tax	(27)	–	–	(27)
Share of other comprehensive income of equity accounted investments, net of tax	(29)	–	–	(29)
Balance at 30 June 2020	**(238)**	**–**	**4**	**(234)**

TIL

	Cash flow hedges $M	Share based payments $M	Foreign currency translation $M	Transactions with non-controlling interests $M	Total $M
Balance at 1 July 2020	**(24)**	**1**	**(142)**	**(58)**	**(223)**
Revaluation—gross	20	–	–	–	20
Currency translation differences	–	–	124	–	124
Share of other comprehensive income of equity accounted investments, net of tax	(1)	–	–	–	(1)
(Gains)/losses reclassified on disposal of subsidiary, net of tax	9	–	(175)	–	(166)
Deferred tax	(5)	–	(5)	–	(10)
Balance at 30 June 2021	**(1)**	**1**	**(198)**	**(58)**	**(256)**
Balance at 1 July 2019	**(8)**	**1**	**(142)**	**(58)**	**(207)**
Revaluation—gross	(22)	–	–	–	(22)
Currency translation differences	–	–	(2)	–	(2)
Deferred tax	6	–	2	–	8
Balance at 30 June 2020	**(24)**	**1**	**(142)**	**(58)**	**(223)**

D9 Net finance costs

	THT 2021 $M	THT 2020 $M	TIL 2021 $M	TIL 2020 $M
Finance income				
Interest income from related parties	439	572	–	–
Unrealised remeasurement gain attributable to derivative financial instruments	–	14	41	–
Interest income on financial assets at amortised cost	15	21	–	–
Unwind of discount and remeasurement of financial assets at amortised cost	–	–	1	–
Unwind of discount and remeasurement of liabilities—promissory notes	–	7	–	–
Other interest income	–	1	–	1
Income from concession financial asset	–	–	23	25
Movement in impairment provisions on related party receivables	13	–	–	–
Net foreign exchange gains	–	3	–	7
Unwind of discount and remeasurement of concession notes receivable	115	–	–	–
Total finance income	**582**	**618**	**65**	**33**
Finance costs				
Interest and finance charges paid/payable	(515)	(568)	(68)	(81)
Unrealised remeasurement loss attributable to derivative financial instruments	(48)	–	–	(31)
Unwind of discount and remeasurement of liabilities—maintenance provision	–	–	(1)	(1)
Unwind of discount and remeasurement of liabilities—promissory notes	(12)	–	–	–
Unwind of discount and remeasurement of liabilities—construction obligation	(7)	(12)	–	–
Unwind of discount and remeasurement of financial assets at amortised cost	(31)	(6)	–	–
Net foreign exchange losses	(13)	–	(21)	–
Unwind of discount and remeasurement of concession notes receivable	–	(164)	–	–
Movement in impairment provisions on related party receivables	–	(16)	–	–
Total finance costs	**(626)**	**(766)**	**(90)**	**(113)**
Net finance costs from continuing operations	**(44)**	**(148)**	**(25)**	**(80)**

Unwind of discount and remeasurement of concession notes receivable

Remeasurement of concession notes represents the discount unwinding over the passage of time on these notes and the change in the payment profile of the concession notes.

Unrealised remeasurement loss attributable to derivative financial instruments

Refer to Note B13 for further information on the unrealised remeasurement loss attributable to derivative financial instruments.

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

D10 Borrowings

Refer to Note B14 for a description of each facility type.

		THT		TIL
	2021 $M	2020 $M	2021 $M	2020 $M
Current				
Capital markets debt	250	300	–	–
Term debt	191	20	4	4
Total current borrowings	**441**	**320**	**4**	**4**
Non-current				
Capital markets debt	2,458	2,236	–	1,421
U.S. private placement	2,525	2,736	213	211
Term debt	2,183	2,307	381	457
TIFIA	–	–	–	1,370
Total non-current borrowings	**7,166**	**7,279**	**594**	**3,459**
Total borrowings	**7,607**	**7,599**	**598**	**3,463**

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

D11 Derivatives and financial risk management

The instruments used by the Group are described in Note B15.

	2021 $M Current		2021 $M Non-current		2020 $M Current		2020 $M Non-current	
	THT	TIL	THT	TIL	THT	TIL	THT	TIL
Assets								
Interest rate swap contracts—cash flow hedges	–	–	28	–	–	–	–	–
Cross currency interest rate swap contracts—cash flow hedges	–	–	16	–	–	–	299	–
Total derivative financial instrument assets	**–**	**–**	**44**	**–**	**–**	**–**	**299**	**–**
Liabilities								
Interest rate swap contracts—cash flow hedges	2	–	77	113	1	–	154	245
Cross currency interest rate swap contracts—cash flow hedges	–	–	131	–	–	–	–	–
Total derivative financial instrument liabilities	**2**	**–**	**208**	**113**	**1**	**–**	**154**	**245**

Market risk

Foreign exchange risk

The effects of the foreign currency related hedging instruments on THT's and TIL's financial position and performance are as follows:

THT

	2021 $M	2020 $M
Cross-currency interest rate swaps		
Carrying amount	(115)	299
Notional amount	3,909	3,640
Hedge ratio	1:1	1:1
Change in discounted value of outstanding hedging instruments	(256)	302
Change in value of hedged item used to determine hedge effectiveness	275	(300)

TIL

	2021 $M	2020 $M
Net investment in foreign operation—CAD		
Carrying amount	–	86
CAD carrying amount	–	81
Hedge ratio	–	1:1
Increase/(decrease) in carrying amount of loan as a result of foreign currency movements	–	(7)
Increase/(decrease) in value of hedged item used to determine hedge effectiveness	–	(2)

Maturity profile—notional value of cross-currency interest rate swaps are as follows:

THT

2021 $M	Less than 12 months	1–5 years	Over 5 years	Total nominal amount
Cross-currency swaps (AUD:USD)	–	**155**	**1,988**	**2,143**
Average AUD-USD exchange rate	–	0.76	0.75	NA[1]
Average fixed interest rate2	–	5.5%	4.9%	NA[1]
Cross-currency swaps (AUD:CHF)	–	**400**	**365**	**765**
Average AUD-CHF exchange rate	–	0.73	0.73	NA[1]
Average fixed interest rate[2]	–	4.5%	3.9%	NA[1]

2020 $M				
Cross-currency swaps (AUD:USD)	**–**	**–**	**2,143**	**2,143**
Average AUD-USD exchange rate	–	–	0.75	NA[1]
Average fixed interest rate[2]	–	–	5.0%	NA[1]
Cross-currency swaps (AUD:CHF)	**–**	**200**	**375**	**575**
Average AUD-CHF exchange rate	–	0.72	0.74	NA[1]
Average fixed interest rate[2]	–	4.6%	4.5%	NA[1]

1. NA—Not applicable

2. Based on average fixed rate of cross currency swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

D11 Derivatives and financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

Effectiveness of hedging relationships designated are as follows:

THT

2021 $M	Hedge gain/(loss) recognised in OCI	Hedge ineffectiveness recognised in profit and loss	Line item in profit and loss that includes hedge ineffectiveness	Amount reclassified from OCI to profit and loss	Line item in profit and loss for reclassification
Foreign currency risk	86	48	Net finance costs	–	Net finance costs
2020 $M					
Foreign currency risk	(286)	(14)	Net finance costs	–	Net finance costs

Exposure to foreign currency risk at the reporting date, denominated in the currency in which the risk arises, was as follows:

	THT 2021 USD $M	THT 2020 USD $M	THT 2021 CHF $M	THT 2020 CHF $M	TIL 2021 AUD $M	TIL 2020 AUD $M	TIL 2021 CAD $M	TIL 2020 CAD $M
Net investment in foreign operation	–	–	–	–	–	–	–	81
Receivables	812	964	–	–	–	–	–	–
Payables	(715)	(936)	–	–	–	–	–	(313)
Borrowings	(2,143)	(2,143)	(765)	(575)	–	–	–	–
Cross-currency interest rate swaps	2,143	2,143	765	575	–	–	–	–
Net exposure	**97**	**28**	**–**	**–**	**–**	**–**	**–**	**(232)**

Sensitivity to exchange rate movements based on the translation of financial instruments held at the end of the period is as follows:

THT	Movement in post-tax profit 2021 $M	Movement in post-tax profit 2020 $M	Increase/(decrease) in equity 2021 $M	Increase/(decrease) in equity 2020 $M
AUD/USD				
+ 10 cents	(11)	(4)	(51)	(88)
- 10 cents	14	5	67	119
AUD/CHF				
+ 10 cents	–	–	(7)	(7)
- 10 cents	–	–	9	9

TIL	Movement in post-tax profit 2021 $M	Movement in post-tax profit 2020 $M	Increase/(decrease) in equity 2021 $M	Increase/(decrease) in equity 2020 $M
AUD/CAD				
+ 10 cents	–	(17)	–	(6)
- 10 cents	–	21	–	7

D11 Derivatives and financial risk management (continued)

Interest rate risk

The effects of the interest rate related hedging instruments on THT's and TIL's financial position and performance are as follows:

THT

	2021 $M	2020 $M
Interest rate swaps		
Carrying amount	(51)	(155)
Notional amount[1]	2,947	2,675
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments	(108)	(48)
Change in value of hedged item used to determine hedge effectiveness	112	48
Weighted average hedged rate for the year	100%	100%

1. The notional amounts above include $407 million (2020: $407 million) of forward starting swaps which are hedging the same underlying interest rate exposures and therefore not included in the net exposure to interest rate risk table.

TIL

	2021 $M	2020 $M
Interest rate swaps		
Carrying amount	–	(89)
Notional amount[1]	–	328
Hedge ratio	–	1:1
Change in fair value of outstanding hedging instruments	–	(21)
Change in value of hedged item used to determine hedge effectiveness	–	24
Weighted average hedged rate for the year	–	100%

1. The notional amounts disclosed in the table above exclude $393 million (2020: $394 million) relating to interest rate swaps which are not hedge accounted.

Maturity profile—notional value of interest rate swaps are as follows:

THT

2021 $M	Less than 12 months	1-5 years	Over 5 years	Total notional amount
Interest rate swaps	166	1,566	1,215	2,947
Average fixed interest rate[1]	2.3%	1.4%	1.8%	NA[2]
2020 $M				
Interest rate swaps	280	1,180	1,215	2,675
Average fixed interest rate[1]	0.7%	2.1%	1.8%	NA[2]

1. Based on average fixed rate of interest rate swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

TIL

2021 $M	Less than 12 months	1-5 years	Over 5 years	Total notional amount
Interest rate swaps	–	–	–	–
Average fixed interest rate[1]	–	–	–	NA[2]
2020 $M				
Interest rate swaps	–	–	328	328
Average fixed interest rate[1]	–	–	4.0%	NA[2]

1. Based on average fixed rate of interest rate swap contracts, which does not include any margins that may be applicable on the hedged debt instrument.

2. NA—Not applicable

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

D11 Derivatives and financial risk management (continued)

Interest rate risk (continued)

Effectiveness of hedging relationships designated are as follows:

THT

2021 $M	Hedge gain recognised in OCI	Hedge ineffectiveness recognised in profit and loss	Line item in profit and loss that includes hedge ineffectiveness	Amount reclassified from OCI to profit and loss	Line item in profit and loss for reclassification
Interest rate risk	51	-	Net finance costs	–	Net finance costs

2020 $M					
Interest rate risk	155	–	Net finance costs	–	Net finance costs

TIL

2021 $M	Hedge gain recognised in OCI	Hedge ineffectiveness recognised in profit and loss	Line item in profit and loss that includes hedge ineffectiveness	Amount reclassified from OCI to profit and loss	Line item in profit and loss for reclassification
Interest rate risk	–	–	Net finance costs	–	Net finance costs

2020 $M					
Interest rate risk	86	2	Net finance costs	–	Net finance costs

THT and TIL are not materially impacted by movements in interest rates. As at the reporting date, THT and TIL had the following variable rate borrowings and interest rate swap contracts outstanding:

	THT 2021 $M	THT 2020 $M	TIL 2021 $M	TIL 2020 $M
Cash and cash equivalents	116	128	560	599
Floating rate borrowings	(2,546)	(2,500)	(385)	(722)
Interest rate swaps (notional principal amount)	2,539	2,267	393	722
Net exposure to interest rate risk	**109**	**(105)**	**568**	**599**

Sensitivity to interest rate movements based on variable rate obligations is as follows:

	THT 2021 $M	THT 2020 $M	TIL 2021 $M	TIL 2020 $M
Interest rates +100bps	1	(1)	6	6
Interest rates –100bps	(1)	1	(6)	(6)

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

D11 Derivatives and financial risk management (continued)

Liquidity risk

Contractual maturities of financial liabilities

The amounts disclosed in the following table are the contractual undiscounted cash flows of THT and TIL's financial liabilities. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period. For further information refer to Note B15.

THT

2021 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	64	–	–	–	–	–	64	64
Borrowings	587	533	758	835	980	5,919	9,612	7,607
Related party payables	350	127	127	1,077	1,632	1,373	4,686	4,183
Interest rate swaps[1]	39	28	17	7	–	(38)	53	51
Cross-currency swaps[1]	59	58	48	48	40	103	356	115
Concession notes	–	–	–	–	–	241	241	77
Total	**1,099**	**746**	**950**	**1,967**	**2,652**	**7,598**	**15,012**	**12,097**

2020 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	63	–	–	–	–	–	63	63
Borrowings	496	912	830	443	810	6,330	9,821	7,599
Related party payables	1,214	371	127	127	1,108	2,854	5,801	5,090
Interest rate swaps[1]	38	34	28	24	17	25	166	155
Cross-currency swaps[1]	40	40	40	30	30	56	236	(299)
Concession notes	–	–	–	–	–	228	228	60
Trade payables	**1,851**	**1,357**	**1,025**	**624**	**1,965**	**9,493**	**16,315**	**12,668**

1. The carrying value of the interest rate and cross-currency swaps are presented on a net basis. The gross position is disclosed in the first table of Note D11.

TIL

2021 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	29	–	–	–	–	–	29	29
Borrowings	21	609	–	–	–	–	630	598
Related party payables	27	27	27	27	27	818	953	433
Interest rate swaps	16	13	11	10	9	64	123	113
Lease liability	1	1	1	1	1	1	6	6
Other liabilities	–	–	–	–	–	–	–	–
Total	**94**	**650**	**39**	**38**	**37**	**883**	**1,741**	**1,179**

2020 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	92	–	–	–	–	–	92	92
Borrowings	156	141	733	87	150	4,133	5,400	3,463
Related party payables	1,045	83	83	83	83	3,038	4,415	2,593
Interest rate swaps	28	28	27	25	24	128	260	245
Lease liability	1	1	1	1	1	4	9	8
Other liabilities	–	–	338	–	–	–	338	305
Total	**1,322**	**253**	**1,182**	**196**	**258**	**7,303**	**10,514**	**6,706**

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

Concession summary

Refer to the Concession summary section of the Group financial statements for the intangible assets, concession note and promissory note accounting policies.

D12 Other intangible assets

2021 $M	Concession assets THT	Concession assets TIL	Assets under construction THT	Assets under construction TIL	Total THT	Total TIL
Cost	12,140	1,400	371	2	12,511	1,402
Accumulated amortisation	(3,168)	(177)	(29)	–	(3,197)	(177)
Net book amount	**8,972**	**1,223**	**342**	**2**	**9,314**	**1,225**

2020 $M	Concession assets THT	Concession assets TIL	Assets under construction THT	Assets under construction TIL	Total THT	Total TIL
Cost	12,136	4,861	370	629	12,506	5,490
Accumulated amortisation	(2,855)	(357)	(15)	–	(2,870)	(357)
Net book amount	**9,281**	**4,504**	**355**	**629**	**9,636**	**5,133**

Movement in other intangible assets

	Concession assets THT $M	Concession assets TIL $M	Assets under construction THT $M	Assets under construction TIL $M	Total THT $M	Total TIL $M
Opening balance at 1 July 2020	**9,281**	**4,504**	**355**	**629**	**9,636**	**5,133**
Additions	–	–	5	87	5	87
Foreign exchange movements and other adjustments	–	(310)	–	(54)	–	(364)
Transfer	4	11	(4)	(11)	–	–
Disposals through loss of control of subsidiary[1]	–	(2,904)	–	(649)	–	(3,553)
Amortisation charge	(313)	(78)	(14)	–	(327)	(78)
Net carrying amount at 30 June 2021	**8,972**	**1,223**	**342**	**2**	**9,314**	**1,225**
Opening balance at 1 July 2019	**9,052**	**4,045**	**818**	**860**	**9,870**	**4,905**
Additions	–	–	93	275	93	275
Foreign exchange movements and other adjustments	–	42	–	16	–	58
Transfer	541	522	(541)	(522)	–	–
Amortisation charge	(312)	(105)	(15)	–	(327)	(105)
Net carrying amount at 30 June 2020	**9,281**	**4,504**	**355**	**629**	**9,636**	**5,133**

1. Relates to the deconsolidation of the Group's ownership interest in TC upon divestment of a 50% ownership interest (refer to Note B24).

D13 Concession financial asset

TIL's financial assets relate only to A25 as at 30 June 2021 and 30 June 2020. Refer to Note B18 for a reconciliation of movements in the A25 Concession financial asset.

D14 Other liabilities—concession liabilities

Refer to Note B21 for further information on these concession liabilities.

M2 Motorway (THT)

The face value of promissory notes on issue as at 30 June 2021 is $241 million (2020: $228 million). The net present value as at 30 June 2021 of the redemption payments relating to these promissory notes is $77 million (2020: $60 million).

Fredericksburg Extension Project (TIL)

The 95 Express Lanes service concession agreement was amended following commercial close of the Fredericksburg Extension project in April 2019. A series of payments are due to the Virginia Department of Transportation (VDOT) in connection with the construction of the project, payable between commercial close and construction completion. As at 30 June 2020, a current liability of $nil million and a non-current liability of $305 million was recorded. The nominal value of the payable was $338 million. During the year ended 30 June 2021, the liability was derecognised as part of the disposal of TC (refer to Note B24).

Group structure

D15 Equity accounted investments

Set out below is the summarised financial information for the THT Group's investments accounted for using the equity method. The summarised financial information presented below is on a 100 per cent basis. Refer to Note B25 for the details of the STP JV, NWRG and TIL (TC, AM Partners, Bluedot) equity accounted investments.

Summarised balance sheet—100%

	THT STP JV		THT NorthWestern Roads Trust		THT Total		TIL	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021[1] $M	2020 $M
Current assets	1,201	862	–	1	1,201	863	379	5
Non-current assets	16,322	16,128	2,088	2,238	18,410	18,366	8,564	–
Current liabilities	(122)	(130)	(22)	(20)	(144)	(150)	(147)	(1)
Non-current liabilities	(9,492)	(8,196)	(2,000)	(2,002)	(11,492)	(10,198)	(3,366)	–
Net assets	**7,909**	**8,664**	**66**	**217**	**7,975**	**8,881**	**5,430**	**4**

Summarised statement of comprehensive income—100%

Revenue	320	206	141	139	461	345	52	2
Construction revenue	514	1,081	–	–	514	1,081	47	–
Depreciation and amortisation	(350)	(86)	(34)	(35)	(384)	(121)	(29)	–
Other expenses	–	(1)	(1)	–	(1)	(1)	(38)	(9)
Construction costs	(514)	(1,081)	–	–	(514)	(1,081)	(47)	–
Net finance cost	(479)	(157)	(34)	(16)	(513)	(173)	(31)	–
Income tax (expense)/benefit	–	–	(4)	(5)	(4)	(5)	1	–
(Loss)/profit for the year	**(509)**	**(38)**	**68**	**83**	**(441)**	**45**	**(45)**	**(7)**
Other comprehensive (loss)/income	297	(87)	4	(13)	301	(100)	(2)	–
Total comprehensive (loss)/income	**(212)**	**(125)**	**72**	**70**	**(140)**	**(55)**	**(47)**	**(7)**

The following table reconciles the above summarised financial information presented on a 100 per cent basis to the proportional amounts recognised by the Group:

Ownership interest	**50%**	**50%**	**50%**	**50%**			**50%-4.2%**	**4.2%**
Proportional total comprehensive (loss)/income	(55)	(32)	36	35	(19)	3	(13)	–
Amortisation of fair value uplift and other adjustments	–	–	–	–	–	–	(9)	(4)
Group's share of comprehensive (loss)/income	(55)	(32)	36	35	(19)	3	(22)	(4)

1. *TIL equity accounted investments includes TC, Bluedot and AM Partners, refer to Note B25 of the Group financial statements for details. The summarised statement of comprehensive income for TC is presented from the date of divestment of 50% share in TC on 31 March 2021.*

Reconciliation of summarised financial information

Set out below is the reconciliation of the equity accounted carrying value of investments.

	THT STP JV		THT NorthWestern Roads Trust		THT Total		TIL	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Opening carrying value at 1 July	**2,268**	**2,274**	**151**	**265**	**2,419**	**2,539**	**–**	**4**
Acquisition	–	–	–	–	–	–	2,706	–
Group's share of (loss)/profit, inclusive of impairments	(130)	(10)	34	42	(96)	32	(21)	(4)
Group's recognised share of other comprehensive (loss)/income	75	(22)	2	(7)	77	(29)	(1)	–
Distributions received	(253)	(22)	(111)	(149)	(364)	(171)	–	–
Foreign exchange movements	–	–	–	–	–	–	28	–
Capital contributions	113	48	–	–	113	48	2	–
Closing carrying value at 30 June	**2,073**	**2,268**	**76**	**151**	**2,149**	**2,419**	**2,714**	**–**

D16 Non-controlling interests—other

Set out below is summarised financial information for each material subsidiary that has non-controlling interests (NCI) that are material and external to THT and the total external NCI. The amounts disclosed for each subsidiary are before inter-company eliminations.

THT

	Transurban Queensland Trust		Airport Motorway Trust		Total NCI	
	37.5%	37.5%	24.9%	24.9%		
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Summarised balance sheet						
Current assets	65	188	190	20	255	208
Non-current assets	7,424	7,448	600	797	8,024	8,245
Current liabilities	(302)	(41)	(347)	(475)	(649)	(516)
Non-current liabilities	(5,376)	(5,494)	(266)	(171)	(5,642)	(5,665)
Net assets	**1,811**	**2,101**	**177**	**171**	**1,988**	**2,272**
Carrying amount of NCI	**679**	**788**	**44**	**43**	**723**	**831**
Summarised statement of comprehensive income						
Revenue	359	362	14	23	373	385
(Loss)/Profit for the year	**(83)**	**(12)**	**1**	**(3)**	**(82)**	**(15)**
Other comprehensive income/(loss)	(17)	114	7	–	(10)	114
Total comprehensive (loss)/income	**(100)**	**102**	**8**	**(3)**	**(92)**	**99**
Loss allocated to NCI	**(31)**	**(4)**	**–**	**(1)**	**(31)**	**(5)**
Other comprehensive (loss)/income allocated to NCI	**(6)**	**43**	**1**	**–**	**(5)**	**43**
Summarised cash flows						
Cash flows from operating activities	159	172	–	–	159	172
Cash flows from investing activities	(1)	(102)	–	–	(1)	(102)
Cash flows from financing activities	(186)	(55)	–	–	(186)	(55)
Net (decrease)/increase in cash and cash equivalents	**(28)**	**15**	**–**	**–**	**(28)**	**15**

D17 Deed of cross and intra-group guarantees

Deed of cross guarantee

During the year ended 30 June 2021 Transurban International Limited, Transurban International Holdings Pty Ltd, Transurban Maple Holdings Pty Ltd, Transurban Maple Investments Pty Ltd, Transurban Technology Investments Holdings Pty Ltd and Transurban Technology Investments Pty Ltd entered into a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission. The companies represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by TIL, they also represent the 'extended closed group'.

Set out below is the summary financial information of the closed group.

	2021 $M
Summarised statement of comprehensive income	
Revenue	1,657
Net finance costs	(169)
Profit before income tax	**1,488**
Income tax expense	(8)
Profit for the year from continuing operations	**1,480**
Loss for the year from discontinued operations	**(6)**
Profit for the year from continuing and discontinued operations	**1,474**
Total comprehensive income for the year	**1,474**

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

D17 Deed of cross and intra-group guarantees (continued)

Deed of cross guarantee (continued)

	2021 $M
Summarised movements in retained earnings	
Accumulated losses at the beginning of the year	–
Accumulated losses of entities that joined the 'closed group'	(494)
Profit for the year	1,474
Retained earnings at the end of the year	**980**
Summarised balance sheet	
Current assets	
Trade and other receivables	2
Total current assets	2
Non-current assets	
Other financial assets	1,785
Total non-current assets	**1,785**
Total assets	**1,787**
Current liabilities	
Total current liabilities	**–**
Non-current liabilities	
Total non-current liabilities	–
Total liabilities	**–**
Net assets	**1,787**
Equity	
Contributed equity	600
Other reserves	207
Retained earnings	980
Total equity	**1,787**

Intra–group guarantees

As at 30 June 2021, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security. Under the stapling arrangement, each entity is able to provide direct and/or indirect support to each other entity and its controlled entities within the Group on a continual basis.

Section D: Notes to the THT and TIL financial statements for the year ended 30 June 2021

Other

D18 Related party transactions

THT	THL[1] 2021 $'000	THL[1] 2020 $'000	Joint ventures 2021 $'000	Joint ventures 2020 $'000
Transactions with related parties				
Rental income	734,259	843,044	–	–
Concession fee income	41,375	44,719	–	–
Interest income	439,341	571,612	–	–
Finance income/(cost) on financial assets at amortised cost	–	–	(15,750)	14,541
Interest expense	(203,237)	(249,471)	–	–
Other expenses	(4,669)	(4,597)	–	–
Outstanding balances with related parties				
Current receivables	1,012,671	1,493,427	–	–
Non-current receivables	9,064,377	9,169,686	–	–
Financial assets at amortised cost	–	–	627,450	646,497
Non-current concession notes	854,768	786,467	–	–
Current liabilities	(490,299)	(1,294,214)	–	–
Non-current liabilities	(3,693,005)	(3,796,171)	–	–

1. Transactions and outstanding balances between THT and THL.

Expected credit loss

Consistent with the assessment following the onset of COVID-19 at 30 June 2020, as at 30 June 2021, management have assessed the impacts arising from COVID-19 and do not consider there to be evidence of a significant increase in credit risk since initial recognition of the financial assets at amortised cost by THT. This is mainly due to there being no significant change in the nature of or the collectability of these balances. The loss allowance for these financial assets at amortised cost continues to be limited to 12 months of expected losses. These balances continue to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. As at 30 June 2021 the loss allowance was $27 million (2020: $39 million), reflecting management's updated estimate of the collectability of these balances.

TIL	THL[1] 2021 $'000	THL[1] 2020 $'000	Joint ventures 2021 $'000	Joint ventures 2020 $'000
Transactions with related parties				
Revenue from services	–	–	7,989	–
Interest expense	(36,145)	(67,704)	–	–
Other expenses	(11,700)	(8,444)	–	–
Outstanding balances with related parties				
Current receivables	5,328	3,508	66,693	–
Financial assets at amortised cost	–	–	1,728	–
Current liabilities	(12,069)	(966,228)	(6,556)	–
Non-current liabilities	(420,929)	(1,627,181)	–	–

1. Transactions and outstanding balances between TIL and THL.

D19 Parent entity disclosures

Summary financial information

The individual financial statements for the parent entities (THT and TIL) show the following aggregate amounts:

	THT		TIL	
	2021 $M	2020 $M	2021 $M	2020 $M
Balance sheet				
Current assets	1,007	1,895	316	559
Total assets	16,690	17,948	928	1,141
Current liabilities	1,665	2,364	–	14
Total liabilities	3,411	4,271	–	454
Net assets	**13,279**	**13,677**	**928**	**687**
Shareholder's equity	16,527	16,504	599	595
Reserves	4	4	63	118
Accumulated losses	(3,252)	(2,831)	266	(26)
Total equity	**13,279**	**13,677**	**928**	**687**
Profit/(loss) for the year	550	632	292	(14)
Exchange differences on translation of USD balances, net of tax	–	–	(54)	14
Total comprehensive income	**550**	**632**	**238**	**–**

Expected credit loss

Consistent with the assessment following the onset of COVID-19 at 30 June 2020, as at 30 June 2021, management have assessed the impacts arising from COVID-19 and do not consider there to be evidence of a significant increase in credit risk since initial recognition of the financial assets at amortised cost in each respective parent entity. This is mainly due to there being no significant change in the nature of or the collectability of these balances. The loss allowance for these financial assets at amortised cost continues to be limited to 12 months of expected losses. These balances continue to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. As at 30 June 2021 the loss allowance was $8 million for THT (2020: $20 million) and $1 million for TIL (2020: $2 million), reflecting management's updated estimate of the collectability of these balances.

Guarantees entered into by the parent entity

There are cross guarantees given by Transurban International Limited, Transurban International Holdings Pty Ltd, Transurban Maple Holdings Pty Ltd, Transurban Maple Investments Pty Ltd, Transurban Technology Investments Holdings Pty Ltd and Transurban Technology Investments Pty Ltd as described in Note D17.

Section E: Directors' declaration for the year ended 30 June 2021

Section E: Signed reports

Directors Declaration

In the opinion of the Directors of Transurban Holdings Limited, Transurban Infrastructure Management Limited (as the responsible entity of Transurban Holding Trust) and Transurban International Limited (collectively referred to as 'the Directors'):

- the financial statements and notes of Transurban Holdings Limited and its controlled entities, including Transurban Holding Trust and its controlled entities and Transurban International Limited and its controlled entities set out on pages 110 to 208 are in accordance with the Corporations Act 2001, including:
  - complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - giving a true and fair view of the Transurban Holdings Limited Group's, Transurban Holding Trust Group's and Transurban International Limited Group's financial position as at 30 June 2021 and of its performance for the year ended on that date, and
- there are reasonable grounds to believe that the Transurban Holdings Limited Group, Transurban Holding Trust Group and Transurban International Limited Group will be able to pay their debts as and when they become due and payable, and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Notes B27 and D17 will be able to meet any obligations or liabilities to which they are, or may become liable, subject by virtue of the deed of cross guarantee described in Notes B27 and D17.

Note B3 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
9 August 2021

Independent auditor's report

To the stapled security holders of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial reports of Transurban Holdings Limited (THL or the Company) and its controlled entities (together the Transurban Group or the Group), Transurban Holding Trust (the Trust) and its controlled entities (together THT) and Transurban International Limited (the International Company) and its controlled entities (together TIL) are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Transurban Group, THT and TIL's financial positions as at 30 June 2021 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Transurban Group, THT and TIL financial reports (the financial report) comprise:

- the consolidated balance sheets as at 30 June 2021
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Transurban Group, THT and TIL in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Transurban Group, THT and TIL, their accounting processes and controls and the industry in which they operate.

Group materiality

- For the purpose of our audit we used overall Group materiality of $42million, which represents approximately 2.5% of the Group's earnings before interest, tax, depreciation and amortisation expenses (EBITDA) from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose EBITDA as the benchmark because, in our view, it is the metric against which the performance of the Transurban Group is most commonly measured and is a generally accepted benchmark in the infrastructure industry. We chose 2.5% based on our professional judgement, noting that it is within the common range relative to EBITDA benchmarks.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We conducted an audit of the financial report for each of the Transurban Group, THT and TIL, including substantive audit procedures in respect of the operation of each of the toll road concessions and equity accounted investments. Specific audit procedures were also performed for interest, tax, depreciation and amortisation expenses.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Recording of toll revenue

Group – Note B5	THT	TIL – Note D4
Toll revenue: $2,266m	Toll revenue – not applicable	Toll Revenue: $54m

Key audit matter	How our audit addressed the key audit matter
The Transurban Group operates toll roads in 4 geographic segments: Melbourne, Sydney and Brisbane in Australia and North America. Each toll road records and recognises revenue through the use of technology, specifically, roadside equipment supported by tolling and billing systems. Tolling equipment and systems are customised complex systems that are built with the purpose of correctly identifying vehicle type, calculating correct fare and linking the vehicle to the customer's account for billing purposes or obtaining information from local transport authorities for vehicles that have not made a valid billing arrangement. Every toll road operates under a different concession deed which governs the means by which customers are charged. We considered this to be a key audit matter for the Group and TIL due to the large volume of transactions that were processed in the year, the unique nature of each toll road and the reliance on bespoke information technology systems and controls.	Our procedures included, amongst others: • Testing a selection of Information Technology General Controls (ITGCs) supporting the integrity of the tolling systems' operation, including access, operations and change management controls. • Performing tests of the design and operation of relevant controls over revenue adjustments, write offs, image processing and exception reporting. • Performing testing of the review and approval of a selection of toll price increases for each toll road during the year. • Performing data analysis of manual journals and adjustments to revenue to test a sample of material postings to revenue and checking that they were generated by the tolling systems. • Using data analytics to recalculate the toll revenue for each toll road in Australia and Canada for the full 12 month period. • Testing a selection of cash collected by the North America toll roads for the period 1 July 2020 to 31 March 2021, at which date the Group deconsolidated the Transurban Chesapeake operations. • For all material contracts, obtaining an understanding of the key terms of the arrangements, term dates, performance obligations and payments made in regard to AASB 15 Revenue from Contracts with Customers. • Assessing the Group's identification of performance obligations and allocation of prices to the performance obligations for a sample of contracts.

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Borrowings

Group – Note B14	**THT** – Note D10	**TIL** – Note D10
Current borrowings: $750m	Current borrowings: $441m	Current borrowings: $4m
Non-Current borrowings: $17,081m	Non-Current borrowings: $7,166m	Non-Current borrowings: $594m

Key audit matter

Borrowings are an integral part of the Transurban Group's business model as it is the key source of funds used by the business to fund new projects and upgrades to existing concession assets. Borrowings represent the largest liability on the balance sheets.

During the year the Transurban Group continued to refinance borrowings through bond and note issuances and new bank facilities.

Each of the borrowing agreements has its own set of terms and conditions and therefore audit work was required to assess the treatment of the agreements and their impact on the financial statements.

We considered this to be a key audit matter for the Group, THT and TIL given the size of the borrowings balances, the number of borrowing agreements in place and the importance of the funding structure for continued growth.

How our audit addressed the key audit matter

Our procedures included, amongst others:

- Obtaining confirmations from banks to confirm a selection of borrowings.
- Reading the most up-to-date borrowing agreements with the financiers to develop an understanding of the terms associated with the facilities and the amount of facility available for drawdown.
- Where debt is regarded as non-current, considering the Group's assessment whether there is an unconditional right to defer payment such that there were no repayments required within 12 months from the balance date.
- Assessing the accounting treatment of capitalised borrowing costs arising from new arrangements and borrowing costs related to terminated facilities.
- Evaluating the debt maturity profile and funding plan in light of our understanding of the debt agreements in place.
- Performing tests of the design and operation of relevant controls over the treasury function including funding plan and board review and approval of debt agreements and financial institutions used.

Service concession arrangements

Group – Notes B17 – B21	**THT** – Notes D12, D14	**TIL** – Notes D12 – D13
Concession assets: $17,427m Assets under construction: $3,674m Concession financial asset: $358m Maintenance provision: $1,078m Construction obligation provision: $1,225m Other liabilities: $133m	Concession assets: $8,972m Assets under construction: $342m Concession notes receivable: $855m Construction obligation provision: $126m Other liabilities: $77m	Concession assets: $1,223m Assets under construction: $2m Concession financial asset: $358m Maintenance provision: $31m

Key audit matter

Each of the concession assets in the Transurban Group's portfolio represents a contractual right under a concession agreement to toll a road in return for the capital and expertise needed to build, maintain and operate the road.

Every concession asset is governed by its own concession agreement between the Group and the concession grantor (typically the government or a local transport authority of the region in which concession is granted). As a result, the Transurban Group is subject to a number of contractual obligations, some of which have a direct impact on the financial statements. Whenever the Group undertakes a new project to construct, acquire or upgrade the asset, its contractual arrangements with concession grantors are altered either through a new concession agreement or an amendment of the existing concession agreement.

The right to receive future economic benefits is recognised on the balance sheet as a concession asset. The asset is recognised at the cost of construction or price paid at acquisition.

Assets under construction include the construction of the West Gate Tunnel. The Group is exposed to direct and indirect construction risk including through its third party contractors. Construction risk includes exposures to claims made on the Group and claims that the Group may pass through or initiate on others.

The concession agreements also contain clauses that require the Transurban Group to make cash outflows in the future, resulting in the recognition of concession liabilities such as maintenance liabilities and concession note liabilities.

How our audit addressed the key audit matter

We evaluated the concession agreements for each toll road to develop an understanding of the nature of the agreements with the concession grantors and assess the accounting implications of the contractual arrangements.

Our other procedures included, amongst others:

- Considering the relevant obligations in the concession agreements having regard to the calculations in the models and corresponding balance sheet line items.
- Obtaining an understanding through discussions with management, of the status of ongoing construction projects, including claims made on the Group and claims the Group may pass onto other parties.
- Assessing the appropriateness of key assumptions such as the cashflow profiles, discount rates and inflation rates used in determining maintenance liabilities and concession note liabilities.
- Performing tests of the design and operation of controls over a selection of the forecast and budgeting processes.
- For assets showing indicators of impairment; assessing the mathematical accuracy of the models and agreeing key data to the latest approved budgets and forecasts.
- For assets showing indicators of impairment; evaluating the appropriateness of the impairment assessment methodology and appropriateness of key assumptions, including future traffic performance, recovery of traffic from the COVID-19 pandemic, and discount rate.
- Involving valuation experts to assess the appropriateness of selected key assumptions used within the models.

Service concession arrangements

The concession assets' recoverable amount and concession liabilities recognised are calculated by estimating the net present value of future cash flows of the concession agreements using discounted cash flow models (the models). This area requires significant judgement by the Group due to a number of uncertain assumptions that impact the timing and quantum of future cash flows generated by the toll road, specifically assumptions such as future traffic expectations, operating costs, maintenance cash outflows and finance cost forecasts. As disclosed in note B17 the A25 asset's recoverable amount is sensitive to reasonably possible changes in certain key assumptions. We considered this to be a key audit matter for the Group, THT and TIL due to the accounting complexity of the arrangements and judgement required to interpret the accounting requirements and calculate their impact on the financial statements.	• Assessing the adequacy of the disclosures in the financial report in respect of contractual arrangements having regard to the requirements of Australian Accounting Standards.

Income taxes

Group – Note B7	**THT**	**TIL** – Note D5
Income tax expense: $1,181m Deferred tax assets: $831m Deferred tax liabilities: $1,778m	Income taxes – not applicable	Income tax benefit: $8m Current tax liabilities: $168m Deferred tax liabilities: $1,031m

Key audit matter	***How our audit addressed the key audit matter***
The Transurban Group is subject to income taxes in Australia and North America. Judgement is required in determining the provision for income taxes, specifically those industry specific tax rules and provisions which require significant judgement and detailed understanding of the legislation and relevant case law. Some of the tax provisions are subject to interpretation and therefore for some transactions the ultimate tax determination is uncertain. Deferred tax assets relating to carried forward tax losses are recognised to the extent there are sufficient taxable profits relating to the same taxation authority against which the unused tax losses can be utilised. The assumptions supporting this position are dependent on future cash flows generated from the toll roads operating in each tax group. Future taxable profits will need to be generated in order to support the recognition of the deferred tax assets. Due to the stapled structure of the Group, tax calculations are complex and require the Group to make judgements and assumptions. Furthermore, as described in Note B7 the Transurban Group consists of six different tax consolidated groups with their own Tax Sharing and Tax Funding agreements, each of which creates additional complexities in the calculations. We considered this to be a key audit matter for the Group and TIL due to the accounting complexity of the calculations, judgmental nature and expertise required to estimate the tax positions recorded.	Our procedures included, amongst others: • Assessing the processes for identifying uncertain tax positions and the related accounting policy of provisioning for tax exposures. • Using Australian and US tax experts to gain an understanding of the current status of tax assessments and investigations and assessing the impact of selected new tax laws and guidance on the tax balances recognised. • Reading recent rulings and selected correspondence with local tax authorities, as well as external advice provided to the Group and TIL where relevant, to assess the associated tax provisions. • Testing a sample of deferred and income tax calculations for each tax group. • Assessing the key assumptions used to support the recognition of tax losses and their future utilisation in light of COVID-19 impacts, specifically forecast taxable profits. The key assumptions included judgements over forecast traffic performance including the impacts of COVID-19 and pricing assumptions.

Recoverability of equity accounted investments – Sydney Transport Partners Group (STP)

Group – Note B25 Equity accounted investment: $2,774m	**THT** – Note D15 Equity accounted investment: $2,073m	**TIL** Equity accounted investment – not applicable

Key audit matter	***How our audit addressed the key audit matter***
In September 2018 the Sydney Transport Partners Group (STP) acquired a stake (51%) in the WestConnex Project. The Transurban Group holds a 50% share in the STP joint venture and equity account for its investment. The Group makes certain assumptions in assessing impairment for its investment. These include assumptions around expected traffic flows, forecast operational costs, construction completion timing and budget construction costs.	Our procedures included, amongst others: • Performing tests of the design and operation of controls over a selection of the forecast and budgeting processes impacting the impairment models in the COVID-19 environment. • Evaluating the impairment indicator assessment considering the requirements under the Australian Accounting Standards. • Involving valuation specialists to assess the appropriateness of selected key assumptions used within the impairment indicator assessment.

Other information

The directors of Transurban Holdings Limited, Transurban Infrastructure Management Limited (as the responsible entity of Transurban Holding Trust) and Transurban International Limited (collectively referred to as “the directors”) are responsible for the other information. The other information comprises the information included in the Group’s Corporate Report for the year ended 30 June 2021, but does not include the financial report and our auditor’s report thereon. Prior to the date of this auditor's report, the other information we obtained included the FY21 Corporate Report, FY21 Results Presentation, FY21 Sustainability Supplement, Corporate Governance Statement and Security Holder Information. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Transurban Group, THT and TIL to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Transurban Group, THT or TIL or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

pwc

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 86 to 108 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the remuneration report of Transurban Holdings Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Melbourne
9 August 2021

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Security holder information

The security holder information set out below was applicable as at 12 July 2021.

Distribution of stapled securities

The total number of holders of stapled securities, which comprise one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holding Trust, was 133,503. The voting rights are one vote per stapled security. There were 2,738,109,583 stapled securities on issue.

The distribution of security holders was as follows:

Security grouping	Total holders	Stapled securities	Percentage of issued stapled securities
1–1,000	55,266	22,381,544	0.82
1,001–5,000	55,817	136,679,150	4.99
5,001–10,000	13,553	95,116,550	3.47
10,001–100,000	8,607	179,890,508	6.57
100,001 and over	260	2,304,041,831	84.15
Total	**133,503**	**2,738,109,583**	**100.00**

There were 2,817 security holders holding less than a marketable parcel of $500 worth of stapled securities, based on the closing market price on 12 July 2021 of $14.41 per share.

Twenty largest holders of stapled securities

Name	Number of stapled securities held	Percentage of issued stapled securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	956,518,665	34.93
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	486,531,021	17.77
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	358,277,340	13.08
CITICORP NOMINEES PTY LIMITED	161,306,700	5.89
NATIONAL NOMINEES LIMITED	79,495,378	2.90
BNP PARIBAS NOMS PTY LTD <DRP>	29,528,886	1.08
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	21,089,237	0.77
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	16,862,006	0.62
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	16,160,087	0.59
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	15,550,482	0.57
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	11,597,447	0.42
ARGO INVESTMENTS LIMITED	8,273,736	0.30
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	7,248,837	0.26
MILTON CORPORATION LIMITED	5,815,153	0.21
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	5,789,153	0.21
AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	4,670,000	0.17
AMP LIFE LIMITED	3,960,561	0.14
BNP PARIBAS NOMS (NZ) LTD <DRP>	3,730,480	0.14
BKI INVESTMENT COMPANY LIMITED	3,485,952	0.13
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,464,706	0.13
Total	**2,199,355,827**	**80.32**

Substantial security holders

Substantial security holders as at 12 July 2021 were as follows:

Name	Number of stapled securities held	Percentage of issued stapled securities
UNISUPER LIMITED (BNP PARIBAS NOMINEES PTY LTD)	333,423,165	12.48
BLACKROCK GROUP	193,550,348	7.07
THE VANGUARD GROUP	164,200,454	6.00
STATE STREET CORPORATION	141,494,675	5.17

Glossary

1H/2H	First or second half of a financial year
A25	A25 toll road
ABN	Australian Business Number
ACN	Australian Company Number
ADT	Average Daily Traffic. ADT is calculated by dividing the total number of trips on each asset (transactions on CityLink) by the number of days in the period
AFSL	Australian Financial Services Licence
AMTN	Australian Medium Term Note
ARC	Audit and Risk Committee
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AUD	Australian Dollars
CAD	Canadian Dollars
CAPITAL RELEASES	Capital Releases refer to the injection of debt into Transurban assets as assets mature, optimising balance sheets
CAVs	Connected and Automated Vehicles
CDP	Carbon Disclosure Project
CCT	Cross City Tunnel
CHF	Swiss Franc
COVID-19	Coronavirus-19
CPI	Consumer Price Index. Refers to Australian CPI unless otherwise stated
CPS	Cents per security
D&A	Depreciation and Amortisation
D&C	Design and Construct
DJSI	Dow Jones Sustainability Index
DOT	Department of Transport
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ED	Eastern Distributor
EIS	Environmental Impact Statement
EMTN	Euro Medium Term Note
EOI	Expressions of interest
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EUR	Euros
E-WAY	M5 West retail tolling brand
FFO	Funds From Operations
FFO/DEBT	Based on S&P methodology. FFO is calculated as statutory EBITDA (where EBITDA equals revenue minus operating expenses net of maintenance provision) plus dividends from investments; minus net interest expense, tax paid, and stock compensation expense. Debt is calculated as statutory drawn debt net of cash, foreign currency hedging and other liquid investments. Based on Moody's methodology. FFO is calculated as the sum of: statutory Cashflow from Operations plus movements in net working capital, interest paid on shareholder loan to minorities, transaction and integration costs; and proportional FFO of equity-accounted assets (with FFO calculated as EBITDA adding back maintenance expenditure, less cash maintenance paid, interest paid, and tax paid). Debt is calculated as proportionately consolidated debt, with assets owned greater than 50% grossed up to 100% weighting. FFO/Debt calculation methodologies may be subject to adjustments in future periods
FIAP	Financial Inclusion Action Plan
FREDEX	Fredericksburg Extension project
FREE CASH/FCF	Free Cash is the primary measure used to assess the cash performance of the Group. It represents the cash available for distribution to security holders. Free Cash is calculated as cash flows from operating activities from 100% owned entities (adjusted to include the allowance for maintenance of intangible assets, exclude cash payments for maintenance of intangible assets and exclude transaction and integration costs related to acquisitions), plus Capital Releases from 100% owned entities, less debt amortisation of 100% owned entities, plus returns from non-100% owned entities
FX	Foreign Exchange
FY	Financial year 1 July to 30 June
GHG	Greenhouse Gas
GLIDE	Transurban's tolling back-office system
GRESB	Global Real Estate Sustainability Benchmark
GRI	Global Reporting Initiative
GROUP	Transurban Group
GWA	Greater Washington Area meaning northern Virginia, Washington D.C., areas of Maryland and the surrounding metropolitan area
HCV	Heavy Commercial Vehicle
HOT	High Occupancy Toll
HPFV	High Productivity Freight Vehicle
HSE	Health, Safety and Environment
ICB	Inner City Bypass
IIRF	International Integrated Reporting Framework
ISCA	Infrastructure Sustainability Council of Australia
KMP	Key Management Personnel
KPI	Key Performance Indicator
KRI	Key Risk Indicator
LCT	Lane Cove Tunnel
LCV	Light Commercial Vehicle
LEP	Logan Enhancement Project
LINKT	Transurban's retail tolling brand
LinktGO	LinktGO is a GPS mobile tolling app
LTI	Long Term Incentive
M2	Hills M2
M4	New M4
M4-M5	M4-M5 Link
M5 WEST	M5 West motorway

M7	Westlink M7
M8	M8 (previously the New M5)
MTQ	Ministère des Transports du Quebec
N/A	Not applicable
NCX	NorthConnex
NEURA	Neuroscience Research Australia
NOK	Norwegian Krone
NPAT AND NPBT	Net Profit After Tax and Net Profit Before Tax
NSW	New South Wales, Australia
NWRG	NorthWestern Roads Group
O&M	Operations and Maintenance
OTHER REVENUE	Other revenue includes management fee revenue and advertising revenue and is recognised at the point in time the service is provided. It also includes compensation received from third parties for a loss of toll revenue due to delays with construction completion
OUR VOICE	Internal staff survey
PAB	Private Activity Bond
PFAS	Per and polyfluorinated alkyl substances
PP	Private Placement
PPA	Power Purchase Agreement
PPP	Public-Private Partnership
PROP/ PROPORTIONAL RESULTS	The proportional results are the aggregation of the results from each asset multiplied by Transurban's percentage ownership as well as the contribution from central Group functions. Proportional EBITDA is one of the primary measures used to assess the operating performance of Transurban, with an aim to maintain a focus on operating results and associated cash generation. The EBITDA calculation from the statutory accounts does not include the EBITDA contribution of M5 (until 18 September 2018), M7 and WCX and includes the non-controlling interests in TQ, M5 (from 18 September 2018) and ED
QC	Quebec, Canada
QLD	Queensland, Australia
RAP	Reconciliation Action Plan
RICI	Road Injury Crash Index. Serious road injury (an individual transported from, or receives medical treatment, at scene) crashes per 100 million vehicle km travelled
RIFR	Recordable Injury Frequency Rate
S&P	Standard and Poor's
SASB	Sustainability Accounting Standards Board
SBTI	Science Based Target initiative
SERVICE AND FEE REVENUE	Service and fee revenue includes customer administration charges and enforcement recoveries
SENIOR EXECUTIVES	Executive Committee members
STI	Short Term Incentive
SLN	Shareholder Loan Note. An interest bearing shareholder loan
STATE WORKS CONTRIBUTION	The capital contribution for WestConnex Stage 3A to be provided by RMS. This is separate to the NSW Government's 49% share of the equity funding commitment for WestConnex Stage 3A
STEM	Science, technology, engineering and mathematics
STP/STP JV	Sydney Transport Partners Joint Venture
TCFD	Task Force on Climate-related Financial Disclosures
TFNSW	Transport for New South Wales is the government agency responsible for transport infrastructure and transport services in New South Wales. Roads and Maritime Services (RMS) was dissolved in December 2019 with all functions transferring to TfNSW
THL	Transurban Holdings Limited

THT	Transurban Holding Trust
TIL	Transurban International Limited
TIFIA	Transportation Infrastructure Finance and Innovation Act
TLN	Term Loan Note. An interest bearing shareholder loan
TOLL REVENUE	Toll revenue includes revenue from customers, specifically tolls, service and fee revenue
TOLLAUST	Service provider including O&M and retail services to NSW assets
TRANSURBAN CHESAPEAKE	Transurban Chesapeake owns 100% of the entities that developed, built, financed and now operate and maintain the 95 Express Lanes (including the Fredericksburg Extension which is under construction), 395 Express Lanes and 495 Express Lanes. Transurban has a 50% interest in Transurban Chesapeake
TSR	Total Shareholder Return
TQ	Transurban Queensland
UNDERLYING EBITDA	EBITDA excluding significant items
UN SDGS	United Nations Sustainable Development Goals
USA	United States of America
USD	US Dollars
USPP	US Private Placement
VA	Virginia, United States of America
VDOT	Virginia Department of Transportation
VIC	Victoria, Australia
VTIB	Virginia Transportation Infrastructure Bank
WCX	WestConnex
WEIGHTED AVERAGE COST OF DEBT	Calculated using proportional debt exclusive of issued letters of credit
WEIGHTED AVERAGE MATURITY	Calculated using proportional drawn debt
WGF	West Gate Freeway
WGT/WGTP	West Gate Tunnel/West Gate Tunnel Project
WHT	Western Harbour Tunnel
ZEVs	Zero Emission Vehicles

Forward-looking statements

This publication contains certain forward-looking statements. The words "anticipate", "expect", "forecast", "estimate", "potential", "intend", "will", "outlook", "may", "target", "plan", "schedule" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, financial position, distributions, capex requirements and performance are also forward-looking statements as are statements regarding internal management estimates and assessments of traffic expectations and market outlook.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Transurban, its officers, employees, agents and advisors that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material.

10-year history

Operational metrics		FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Number of operational assets	#	7	8	12	14	15	15	16	17	18	21
Number of markets	#	3	3	4	4	4	4	5	5	5	5
Average daily traffic											
Group	*thousands*	1,246	1,295	1,382	1,775	1,911	1,946	2,035	2,217	2,026	2,018
Sydney	*thousands*	471	477	543	581	622	644	663	814	761	931
Melbourne	*thousands*	761	780	793	816	820	813	824	851	750	566
Brisbane	*thousands*	–	–	–	303	383	394	403	405	383	407
North America	*thousands*	14	38	46	75	85	96	144	147	132	115
Statutory financials											
Statutory revenue	*$ millions*	1,154	1,195	1,150	1,860	2,210	2,732	3,298	4,166	3,169[1]	2,886[1]
Statutory NPAT	*$ millions*	59	175	252	(373)	22	209	468	170	(153)	3,272
Statutory cash flows from operating activities	*$ millions*	373	411	521	304	910	837	1,053	1,197	1,131	893
Proportional financials											
Proportional Toll Revenue[2]											
Group	*$ millions*	944	991	1,117	1,656	1,946	2,153	2,340	2,581	2,492	2,486
Sydney	*$ millions*	462	479	551	701	799	872	944	1,042	1,072	1,278
Melbourne	*$ millions*	472	496	535	615	660	687	780	813	747	616
Brisbane	*$ millions*	–	–	–	265	313	385	393	402	394	425
North America	*$ millions*	11	16	31	75	174	209	223	324	279	167
Proportional EBITDA (excl. significant items)											
Group	*$ millions*	784	828	934	1,289	1,480	1,629	1,796	2,016	1,888	1,836
Sydney	*$ millions*	369	392	466	558	637	702	763	856	879	1,033
Melbourne	*$ millions*	412	441	483	523	564	594	688	716	634	502
Brisbane	*$ millions*	–	–	(6)	185	218	268	279	293	286	314
North America	*$ millions*	3	(3)	4	33	86	116	130	210	154	72
Corporate and other	*$ millions*	0	(2)	(13)	(10)	(25)	(51)	(64)	(59)	(65)	(85)
Free Cash	*$ millions*	433	443	572	768	926	1,220	1,215	1,527	1,476	1,278
Proportional drawn debt	*$ millions*	6,754	7,471	8,015	12,236	12,484	13,639	14,971	19,394	22,118	20,763
Gross debt raised[3]	*$ millions*	1,948	1,507	2,122	7,814	4,707	4,518	5,865	15,112	7,968	10,016
Equity raised	*$ millions*	–	100	2,742	–	1,025	–	1,900	4,820	812	–
Ratios and rates											
Group EBITDA margin[4]	%	74.9	75.0	75.8	74.7	73.8	73.9	74.9	75.4	72.3	70.3
FFO/Debt	%	–	–	6.6	7.9	8.0	8.5	8.9	8.7	7.0	8.9
Corporate SICR	*x*	2.7	2.5	2.9	3.5	4.3	3.9	4.9	4.1	3.8	2.8
Gearing	%	44.9	42.8	36.4	40.2	33.3	35.3	35.2	32.0	35.8	34.3
Weighted average cost of debt											
AUD	%	6.9	6.6	6.3	5.3	5.2	4.9	4.9	4.6	4.4	4.1
USD	%	5.2	4.6	4.0	3.8	4.3	4.3	4.4	4.4	4.4	4.5
CAD	%	–	–	–	–	–	–	5.8	4.9	5.0	5.0
Weighted average debt maturity[5]	*years*	9.6	9.7	7.5	7.8	8.7	9.0	8.6	8.3	8.4	7.7
Weighted average concession length[6]	*years*	25.1	24.3	24.3	28.5	29.9	29.7	28.3	30.8	28.8	26.2
Corporate information											
Market capitalisation	*$ billions*	8.30	10.02	14.01	17.80	24.41	24.32	26.63	39.43	38.65	38.96
Total Shareholder Return	%	15	25	17	32	35	4	6	31	(1)	3
Gross distributions	*$ millions*	429	456	594	764	901	1,055	1,174	1,577	1,284	999
Distributions per security	*cps*	29.5	31.0	35.0	40.0	45.5	51.5	56.0	59.0	47.0	36.5
Securities on issue	*millions*	1,458	1,482	1,896	1,914	2,036	2,052	2,225	2,675	2,735	2,738

1 *Statutory results have been reclassified to present Transurban Chesapeake as discontinued operations in the current period. Refer to Note B24 Business combinations and changes in ownership interests within the financial statements for further information*

2 *Definition of Toll Revenue adjusted in FY16 (including restatement of FY15) to include fee revenue. Prior to this was disclosed as toll revenue only, and fee and other revenue*

3 *Calculated at 100% of the debt facility size. Excludes acquired debt and letters of credit. Non-AUD denominated debt converted at the hedged rate where cross currency swaps are in place*

4 *FY14 and FY15 EBITDA margins were restated in FY16. Not previously disclosed for FY12 to FY13*

5 *FY18 to FY21 has been calculated using proportional drawn debt. FY12 to FY17 was calculated on the full value of available debt facilities. Prior to FY19, the previously reported tenor did not reflect the amortisation profile that occurs in the latter years of the USA asset debt facilities*

6 *Weighted using proportional Toll Revenue by asset*

Our industry reports

Urban Mobility Trends: Road funding reform, August 2021

Urban Mobility Trends from COVID-19, February 2021

Urban Mobility Trends from COVID-19, August 2020

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Vaccines are critical to protecting the community

We recognise the role the private sector can play, alongside governments, to encourage the uptake of the COVID-19 vaccine.

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