

BENCHMARKS

Benchmark 1: Corporate structure and management		
	Statement and Explanation	Reference
The infrastructure entity's corporate governance policies and practices conform with the principles and recommendations in ASX Listing Rules Guidance Note 9, Disclosure of Corporate Governance Practices.	The benchmark is met.	For additional disclosure on this benchmark, refer to Transurban's FY23 Corporate Governance Statement and Appendix 4G.
Benchmark 2: Remuneration of management		
	Statement and Explanation	Reference
Incentive-based remuneration paid to management for the infrastructure entity is derived from the performance of the infrastructure entity and not the performance of other entities within its consolidated group, except where the infrastructure entity is the parent of the consolidated group.	The benchmark is met.	For additional disclosure on this benchmark, refer to the Remuneration Report in the Transurban FY23 Corporate Report.
Benchmark 3: Classes of units and shares		
	Statement and Explanation	Reference
All units or shares are fully paid and have the same rights.	The benchmark is met.	For additional disclosure on this benchmark, refer to the Consolidated Statement of Changes in Equity and the Contributed Equity note in the Transurban FY23 Corporate Report.
Benchmark 4: Substantial related party transactions		
	Statement and Explanation	Reference
The infrastructure entity complies with ASX Listing Rule 10.1 for substantial related party transactions.	The benchmark is met.	For additional disclosure on this benchmark, refer to the Related Party Transactions note in the Transurban FY23 Corporate Report.

Benchmark 5: Cash flow forecast		
	Statement and Explanation	Reference
<p>The infrastructure entity has, for the current financial year, prepared and had approved by its directors:</p> <ul style="list-style-type: none"> • A 12-month cash flow forecast for the infrastructure entity and has engaged an independent, suitably qualified person or firm to provide, in accordance with the auditing standards: <ul style="list-style-type: none"> ○ Negative assurance on the reasonableness of the assumptions used in the forecast; and ○ Positive assurance that the forecast is properly prepared on the basis of the assumptions and on a basis consistent with the accounting policies adopted by the entity. • An internal unaudited cash flow forecast for the remaining life, or the right to operate (if less), for each new significant infrastructure asset acquired by the infrastructure entity. 	<p>The benchmark is not met.</p> <p>Cash flow forecasts are prepared annually as part of the budget process and approved by the Board. Transurban does not believe it is appropriate for an independent third party to review this proprietary information.</p> <p>The following contribute to the quality of cash flow forecasting:</p> <ul style="list-style-type: none"> • Expert analysis of traffic patterns; • Fixed price operations contracts; • A significant proportion of all interest rates fixed; • A budget process with multiple levels of review and points of control; • Executive Committee review of Transurban Group forecast and budget; and • Board review of Transurban Group forecast and budget. <p>Transurban has cash flow forecasts for the remaining life of all its assets that are updated at least annually.</p>	<p>Not applicable.</p>

Benchmark 6: Base-case financial model		
	Statement and Explanation	Reference
<p>Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the infrastructure entity's base-case financial model that:</p> <ul style="list-style-type: none"> • Checks the mathematical accuracy of the model, including that: <ul style="list-style-type: none"> ○ The calculations and functions in the model are in all material respects arithmetically correct; and ○ The model allows changes in assumptions, for defined sensitivities, to correctly flow through to the results; and • Includes no findings that would, in the infrastructure entity's opinion, be materially relevant to the infrastructure entity's investment decision. 	<p>The benchmark is met.</p> <p>Transurban has internal capabilities that maintain its financial models.</p> <p>The base-case financial model has been reviewed by an assurance practitioner in 2021 as part of the WestConnex review.</p> <p>The Transurban International Limited financial model was audited as part of the transaction that led to the disposal of the controlling interest in the A25 asset. In addition, the base-case financial model is currently undergoing a review by an assurance practitioner.</p>	<p>Not applicable.</p>
Benchmark 7: Performance and forecast		
	Statement and Explanation	Reference
<p>For any operating asset developed by the infrastructure entity, or completed immediately before the infrastructure entity's ownership, the actual outcome for the first two years of operation equals or exceeds any original publicly disclosed forecasts used to justify the acquisition or development of the asset.</p>	<p>This is not applicable as Transurban has not publicly disclosed any assumptions or forecasts.</p>	<p>Not applicable.</p>

Benchmark 8: Distributions		
	Statement and Explanation	Reference
<p>If the infrastructure entity is a unit trust, it will not pay distributions from scheme borrowings.</p>	<p>The benchmark is met.</p> <p>Since 2008 Transurban's policy is for distributions to be approximately 100 per cent covered by free cash over time. Transurban's free cash definition does not allow the distribution of scheme borrowings.</p> <p>From the FY20 H2 distribution, Transurban's policy has been to declare distributions in line with Free Cash excluding capital releases.</p> <p>For FY22 and FY23, the distribution was supplemented by ~2.7cps of capital releases to minimise the impact of dilution from the recent equity raise. The capital releases supporting the distribution comes from Joint Venture entities and not Transurban Corporate.</p>	<p>Not applicable.</p>
Benchmark 9: Updating the unit price		
	Statement and Explanation	Reference
<p>If the infrastructure entity is unlisted and a unit trust, after finalising a new valuation for an infrastructure asset, the infrastructure entity reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.</p>	<p>This is not applicable as Transurban is not an unlisted unit trust.</p>	<p>Not applicable.</p>

DISCLOSURE PRINCIPLES

Disclosure Principle 1: Key relationships

All relevant relationships are fully disclosed in the Transurban FY23 Corporate Report. All related parties are disclosed in the Related Party Transactions note in the Transurban FY23 Corporate Report, and the Corporate Governance Statement sets out Transurban’s governance practices and policies.

Transurban Holdings Limited (THL), Transurban International Limited (TIL) and Transurban Holding Trust (THT) are collectively referred to as Transurban, which operates as a stapled structure. No individual or entity holds any special voting rights or director appointment rights relevant to Transurban. The Board of THL, the Board of TIL, and the Board of Transurban Infrastructure Management Limited (TIML), as responsible entity of THT, have common directors and meet concurrently. Under the constitution, non-executive directors of Transurban are required to retire and may seek re-election by Transurban security holders, every 3 years.

As noted in the Transurban FY23 Corporate Report, Transurban is undertaking several development projects. All relevant relationships operate under normal commercial terms.

Disclosure principle 2: Management fees

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

Disclosure principle 3: Related party transactions

Related party transactions are disclosed in the Related Party Transactions note in the FY23 Transurban Corporate Report.

Disclosure principle 4: Financial ratios

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

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

At 30 June 2023, Transurban’s measure on each metric was as follows:

- SICR 4.2 times
- FFO/debt 12.3 %¹

At 30 June 2023, Transurban was ascribed strong investment grade credit ratings by each of the credit rating agencies as follows:

- S&P – BBB+ (stable outlook)
- Moody’s – Baa1 (stable outlook)
- Fitch – A- (stable outlook)

¹ Note: Calculated based on S&P methodology.

Disclosure principle 5: Capital expenditure and debt maturities

Capital expenditure:

Capital commitments are disclosed in the Commitments note in the Transurban FY23 Corporate Report.

Debt maturities:

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

As at 30 June 2023:

AUD	Drawn (\$000's)	Undrawn (\$000's)	Total (\$000's)	% of variable interest rate risk	Weighted average interest rate	% of debt that is not limited recourse to a particular asset (ring-fenced)	Fully amortising or principal and interest payments
Up to 1 year	769,724	-	769,724	-%	2.2%	-%	Combination of principal repaid at maturity and amortising debt
Between 1 and 2 years	1,742,826	1,529,954	3,272,781	13.25%	4.5%	48%	Combination of principal repaid at maturity and amortising debt
Greater than 2 years	17,746,320	2,308,631	20,054,951	3.46%	4.1%	43%	Combination of principal repaid at maturity and amortising debt
Total	20,258,870	3,838,585	24,097,456	4.17%	4.1%	41%	

Note: Foreign denominated borrowings are converted at the hedge rate where cross currency swaps are in place. Interest rates are shown as the weighted average rate (after hedging) of the drawn debt. Totals may not match to results due to rounding.

USD	Drawn (\$000's)	Undrawn (\$000's)	Total (\$000's)	% of variable interest rate risk	Weighted average interest rate	% of debt that is not limited recourse to a particular asset (ring-fenced)	Fully amortising or principal and interest payments
Up to 1 year	-	-	-	-%	-%	-%	-
Between 1 and 2 years	-	-	-	-%	-%	-%	-
Greater than 2 years	1,601,279	102,014	1,703,293	-%	3.6%	31%	Combination of principal repaid at maturity and amortising debt
Total	1,601,279	102,014	1,703,293	-%	3.6%	31%	

Note: Foreign denominated borrowings are converted at the hedge rate where cross currency swaps are in place. Interest rates are shown as the weighted average rate (after hedging) of the drawn debt. Totals may not match to results due to rounding.

CAD	Drawn (\$000's)	Undrawn (\$000's)	Total (\$000's)	% of variable interest rate risk	Weighted average interest rate	% of debt that is not limited recourse to a particular asset (ring-fenced)	Fully amortising or principal and interest payments
Up to 1 year	227	-	227	-%	6.3%	-%	Combination of principal repaid at maturity and amortising debt
Between 1 and 2 years	395	-	395	-%	6.3%	-%	-
Greater than 2 years	824,327	-	824,327	-%	4.9%	79%	Principal repaid at maturity
Total	824,950	-	824,950	-%	4.9%	79%	

Note: Foreign denominated borrowings are converted at the hedge rate where cross currency swaps are in place. Interest rates are shown as the weighted average rate (after hedging) of the drawn debt. Totals may not match to results due to rounding.

Disclosure principle 6: Foreign exchange and interest rate hedging

Transurban's foreign exchange and interest rate hedging policy and exposures are disclosed in the Derivatives and Financial Risk Management note in the Transurban FY23 Corporate Report.

Disclosure principle 7: Base-case financial model

The base-case financial model is based on the four-year budget, which utilises a bottom up approach, and is then based on a set of long-term assumptions, including traffic, operating costs and financing costs. Traffic assumptions are based upon historical observations, demographics and economic growth forecasts. Operating costs are escalated in line with a combination of Consumer Price Index and Average Weekly Earnings forecasts. Financing costs are based on the long-term cost of borrowings.

Disclosure principle 8: Valuations

Transurban's Concession Assets represent Transurban's right to operate roads under Service Concession Arrangements. Concession Assets constructed by Transurban are recorded at the fair value of consideration received or receivable for the construction services delivered. Concession Assets acquired by Transurban are recorded at the fair value of assets at the date of acquisition.

Transurban carries the Concession Assets at historical cost and does not revalue them periodically. However, Transurban does test whether the Concession Assets have suffered any impairment.

Disclosure principle 9: Distribution policy

Transurban's distribution policy is to pay distributions from free cash flow. Since H2 FY20, distributions have been determined with reference to Free Cash excluding capital releases. For FY22 and FY23, distributions also included a small capital release component to offset the dilution from the recent equity raise.

Disclosure principle 10: Withdrawal policy

This is not applicable as Transurban is a listed entity.

Disclosure principle 11: Portfolio diversification

Transurban has ownership interests in 18 operational urban toll roads in the three largest Australian cities: Sydney, Melbourne and Brisbane. We also have ownership interests in three toll roads in the Greater Washington Area in the United States, and one toll road asset in Montreal, Canada. Since the opening of CityLink in Melbourne in 1999, we have sought to expand our business footprint to create toll road networks in the cities where we operate.

Our target markets are urban areas in the Eastern seaboard of Australia and North America. Our value proposition is to be the market leader in the sector, owning high-quality toll roads that can be integrated or developed into essential road networks that support urban infrastructure.