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AusNet

Board Paper:	**AusNet HQ Future Lease Options**
For:	**Decision**
Sponsor:	**[C-I-C] – EGM Group Operations**

Title – AusNet Office HQ Relocation

1. Decision

The Board resolved to:

- **Approve** management's recommendation to proceed with Option 2 – Relocate and Co-locate at [C-I-C]
- **Authorise** the Chief Executive Officer to enter into a binding lease and associated fit-out commitments for [C-I-C], subject to the conditions set out in the Proposed Resolution
- **Note** [C-I-C] is 50 per cent owned by Brookfield Property Partners and that affiliated transaction and conflict management arrangements (including director recusals and shareholder approvals where required) will apply.

2. Executive Summary

AusNet is entering a period of sustained system change driven by the energy transition, characterised by increased capital concurrency, more dynamic and bidirectional power flows, and heightened expectations for reliability, safety and resilience. In this environment, operational risk increasingly arises from system-level coordination rather than from individual assets or activities in isolation.

While AusNet's multi-site operating arrangement has supported the business historically, the distribution of operational control rooms and key operational, asset and leadership teams across multiple Melbourne CBD locations now embeds structural coordination risk, increases decision latency, and elevates operational risk during periods of heightened system activity.

AusNet's current CBD headcount is approximately 1,400 and is likely to grow given the increased capital and operating requirements of the business; the existing footprint is already insufficient to accommodate this workforce, and the proposed 17,000 sqm footprint represents rightsizing to current operational needs, restoring sustainable occupancy capacity.

Management has undertaken a structured review of AusNet's future Melbourne CBD accommodation arrangements, triggered by the August 2027 expiry of the Flinders Street lease and the increasing need to align accommodation decisions with AusNet's operating model and future system demands. The review was guided by two principles:

- support safe, reliable and resilient network operation and enable delivery of the energy transition at scale; and
- meet prudent, lowest whole-of-life cost requirements.

Following assessment of viable pathways and subsequent market testing, management recommends relocating and collocating its CBD operations at [C-I-C], establishing an Enterprise Integration Centre with the Enterprise Network Operations Function at its core. This option provides a more coherent and cost-effective long-term solution than maintaining and incrementally expanding the existing footprint and better underpins AusNet's operating model in a more complex future energy landscape.

This recommendation is informed by a comparative 10-year whole of life cost analysis, which indicates that relocation delivers a favourable net present value compared to a stay and expand pathway, reflecting the cumulative cost of staged refurbishments and repeated lease events under the existing estate configuration.

[C-I-C] is 50 per cent owned by Brookfield Property Partners. Management was acutely aware of the potential conflict of interest and, from the outset, implemented enhanced governance, probity and arm's length arrangements to ensure the decision-making process was independent, defensible and in AusNet's best interests, including director recusals and shareholder approvals where required.

Subject to Board approval, the initiative will be delivered as a critical enterprise project under dedicated leadership, with formal governance arrangements, defined stage gates, and regular reporting to the Board.

3. Strategic and Operational Imperative

AusNet's existing multisite CBD configuration embeds coordination risk into day-to-day operations. While manageable under stable conditions, this risk becomes increasingly material as the volume, concurrency and consequence of live system activity increase.

Reducing coordination risk requires an operating environment in which system truth, operational authority and decisionmakers are available concurrently. Colocation aligns the physical operating environment with AusNet's operating model and supports the effective operation of a dynamic, high consequence energy system.

The timing of the Flinders Street lease expiry provides a well aligned opportunity to reset AusNet's CBD accommodation arrangements in a manner that supports future system demands while maintaining prudent cost and regulatory discipline.

If the current multisite model is maintained, coordination risk will continue to increase as system and organisational complexity grows. This will result in slower decision making, heightened operational risk during peak system conditions, and reduced effectiveness of emergency response. These risks are structural in nature and cannot be fully mitigated through process, governance or incremental controls alone.

Control Room Capability

AusNet's primary transmission control room at Flinders Street is over 25 years old and requires full upgrade and modernisation due to age, layout constraints, and technology obsolescence. This requirement has already been identified as a stand-alone regulated capital project, independent of any accommodation decision and required irrespective of location.

Accordingly, a key criterion in assessing future CBD accommodation options was the ability to accommodate a modern control room configuration, rather than the inclusion of control room upgrade costs in the real-estate decision itself

4. Options Analysis (Pathway)

Before considering individual buildings, management compared two viable accommodation pathways.

Option 1 – Maintain Existing Footprint ("Stay and Expand")

This option involves renewing or replacing premises as leases expire, combined with staged expansion and refurbishment. While technically feasible, it preserves a multi-site operating model, requiring repeated lease events, incremental capital investment and ongoing coordination workarounds. Over time, this reduces cost certainty and embeds structural coordination risk relative to a single-site solution.

[C-I-C]

Option 2 – Relocate and Co-locate

This option involves relocating to a single Melbourne CBD site under a new long-term lease, consolidating office and operational functions into one integrated location. It enables a single, planned transition, provides greater whole-of-life cost certainty, and reduces long-term accommodation complexity.

The Enterprise Integration Centre model requires physical co-location of system operators, asset teams and decision-makers to function effectively. Without co-location, integration remains dependent on coordination overlays rather than structural design, limiting effectiveness under high system load and during elevated system conditions.

Outcome

Based on this pathway level comparison, management determined that relocation and colocation (Option 2) provides a clearer, more coherent and more cost-effective long-term solution than maintaining and incrementally expanding the existing footprint, while remaining within prudent whole of life cost parameters(refer **Appendix A**).

[C-I-C]

5. Building Selection and Due Diligence

Following selection of the relocation pathway, management engaged [C-I-C] to undertake an independent Melbourne CBD market search and to lead commercial negotiations. The search was conducted on a market-wide basis through broker engagement and RFI submissions, providing visibility of the full range of potentially available CBD office options and associated timing, configuration and delivery constraints.

Buildings that could not accommodate the required consolidated footprint, deliver within the required timeframe aligned to lease expiries, or meet baseline security, resilience and technical requirements were excluded prior to any commercial evaluation, ensuring only technically and operationally viable options were progressed (refer **Appendices B, D and E**).

The consolidated footprint requirement reflects current operational need rather than future growth. AusNet's existing CBD footprint of approximately 11,500 sqm can support an effective peak occupancy of only ~40 per cent once non desk and operational spaces are considered, which is insufficient for the current CBD headcount of 1,400. The proposed footprint of approximately 17,000 sqm restores sustainable capacity at an 80 per cent utilisation level, consistent with AusNet's historical utilisation experience and required to support day-to-day operations, peak attendance periods and critical incident response.

The market-wide search identified a limited number of buildings capable of meeting AusNet's operational, security and timing requirements. Credible options were shortlisted and progressed through a structured, competitive best-and-final-offer (BAFO) process led by [C-I-C], ensuring commercial terms were market-tested and directly comparable across options.

Final options were assessed against consistent financial and non-financial criteria, including whole-of-life cost and net present value, cost certainty, delivery risk, operational capability, resilience, flexibility and location (refer **Appendices A, D, E and I**).

Following this process, [C-I-C] was identified as the building that best meets AusNet's requirements and provides the most balanced outcome across cost, deliverability and risk. In this context, "most balanced" reflects the achievement of a competitive whole-of-life cost outcome without material compromise on delivery timing, risk allocation, or core operational and capability requirements.

Given the affiliated ownership of [C-I-C], management applied a heightened standard of process integrity, governance and documentation throughout the selection and negotiation process. This included early identification and active management of conflicts, independent market search and negotiation by [C-I-C], progression of non-affiliated alternatives through BAFO, and preservation of an arm's-length, defensible decision-making process demonstrably in AusNet's best interests.

Commercial terms were established through this competitive process, ensuring market-aligned pricing and risk allocation. These have been documented in a non-binding Heads of Agreement, subject to legal review, with binding lease documentation to be finalised and executed following Board approval.

6. Financial & Regulatory Considerations

Financial assessment was undertaken on a 10-year total cost and net present value (NPV) basis. The NPV includes total occupancy costs over the assessment period, including rent, incentives, fit-out, outgoings, and other directly attributable accommodation costs (refer **Appendix A**).

Indicative analysis shows the relocation option delivering a 10-year NPV in the order of $140–145 million, compared to $155–160 million for maintaining and expanding the existing footprint. This reflects the cumulative cost of staged refurbishments and multiple lease events inherent in the "stay and expand" pathway. Financial outcomes are most sensitive to lease commencement timing, landlord incentive levels, and final footprint and staging assumptions.

The assessment incorporated whole-of-life cost considerations, cost certainty over the lease term, and the avoidance of repeated incremental capital investment. Commercial terms were market-tested through the competitive best-and-final-offer (BAFO) process led by [C-I-C]. While earlier cost-benefit analysis informed the longlist and option framing, the recommended building selection reflects final BAFO commercial terms, deliverability considerations, and governance requirements.

The recommended option represents a prudent, lowest whole-of-life cost outcome.

Accordingly, control room upgrade costs are excluded from the NPV analysis, as they are required irrespective of location, do not differentiate between accommodation pathways, and are funded and governed separately through AusNet's regulated capital program

Regulatory treatment:

Management has worked closely with the Regulated Strategy teams throughout the assessment to confirm that the recommended option is consistent with AusNet's regulatory framework and established precedent for accommodation and occupancy costs. The costs associated with relocation and co-location are considered prudent and efficiently incurred.

[C-I-C]

[C-I-C]

The control room upgrade will be capitalised and delivered as a discrete project under management delegations of authority. It will be scheduled and coordinated alongside the office relocation as part of an integrated program of work, with dependencies appropriately managed, while maintaining clear separation of scope, cost control and accountability.

For clarity, management will return to the Board for approval if final negotiated terms materially deviate from the commercial position presented, including changes to lease term or commencement, landlord incentive packages, whole-of-life cost outcomes beyond defined thresholds, or any material change in risk allocation or governance requirements.

7. Risk Assessment and Mitigations

Risk Category	Risk Description	Potential Impact	Mitigation / Controls
Operational Continuity	Disruption to network operations or emergency response capability during transition and commissioning of the new facility. Physical security and resilience of co-located control environment	Service disruption, degraded incident response, reputational impact. Operational disruption, security exposure	• Treated as a critical enterprise project. • Sequenced transition and commissioning approach • Parallel run arrangements for control room and operational functions. • Detailed security risk assessment • Disaster Recovery Arrangements (Richmond Control Centre)
Delivery & Timing	Delays to fit-out, commissioning or readiness ahead of Flinders Street lease expiry.	Compressed timelines, increased cost, operational risk.	• Dedicated Project Director with executive sponsorship. • Steering Committee oversight and formal internal governance. • Critical path planning aligned to lease expiry. • Regular progress and risk escalation through project governance.
Financial & Cost Control	Cost escalation or loss of cost discipline over the lease and fit-out period. Residual Freshwater Place lease exposure to 2030	Budget overruns, reduced value for money. Potential double-running cost or stranded capital	• Commercial terms market tested through BAFO process led by [C-I-C]. • Assessment on 10year total cost and NPV basis. • Whole of life cost discipline applied. • Ongoing cost tracking and reporting within project governance. • Sub-leasing/surrender strategy, staged exit planning, ongoing Board oversight
Governance & Conflict	Perceived or actual conflict of interest due to Brookfield Property Partners' 50% ownership of [C-I-C].	Governance challenge, reputational risk, approval delay.	• Affiliated transaction protocols applied. • Recusal of Brookfield nominated directors. • Shareholder approvals, with Brookfield shareholders not voting. • Independent advisors engaged to support probity.
Change & Workforce Impact	Disruption to productivity and employee wellbeing, including increased psychosocial risk (e.g. stress, fatigue, and cognitive load), particularly for critical and high-pressure roles.	Reduced productivity, workforce dissatisfaction.	• Structured change and communications management. • Phased transition to minimise disruption to critical teams. • Ongoing engagement with affected staff throughout delivery.

8. Governance, Conflicts and Process Integrity

[C-I-C] is 50 per cent owned by Brookfield Property Partners. In accordance with the Governance Agreement:

- affiliated transaction and conflict management provisions apply;
- Brookfield-nominated directors will be recused from consideration and voting; and
- shareholder approvals will be sought where required, with Brookfield shareholders not voting.

Independent market search and negotiation by [C-I-C], clear separation of roles, and adherence to AusNet's delegations of authority and procurement frameworks have been applied to ensure process integrity and probity (refer **Appendix C**).

The decision will be progressed through the appropriate sequence of non-conflicted Board consideration, followed by any required shareholder approvals (where applicable), prior to execution of binding documentation.

9. Implementation and Governance Oversight

Subject to Board approval, the project will be delivered as a critical enterprise project under the leadership of a dedicated Project Director, with executive sponsorship and oversight by a formal Steering Committee. Delivery will be governed in accordance with AusNet's Project Management Framework, with regular reporting to the Board on progress, risks and milestones (refer **Appendices G and H**).

Key delivery stage gates will include design finalisation, commissioning readiness, operational cutover approval (including parallel run exit criteria), and post-implementation review, with progress and readiness reported through the project governance structure and regular Board updates.

10. Recommendation

Management recommends proceeding with Option 2 – Relocate and Co-locate, and entering into a lease for [C-I-C], as the most cost-effective and regulatorily appropriate long-term solution, underpinning AusNet's operating model and readiness for the future energy landscape.

The recommendation is based on an independently conducted market search, competitive BAFO process, and comparative evaluation. The outcome does not rely on the participation of any conflicted party and has been reached following the application of heightened governance, probity and arm's-length processes.

The recommended option would remain the preferred outcome irrespective of ownership, based on its performance across cost, deliverability, operational capability and risk

11. Proposed Resolution

RESOLVED THAT the Board approves management's recommendation to proceed with Option 2 – Relocate and Co-locate at [C-I-C], Melbourne.

FURTHER RESOLVED THAT the Board authorises the Chief Executive Officer to negotiate and execute the binding lease and associated fit-out, transition and commissioning arrangements for [C-I-C], subject to:

- final commercial terms being materially consistent with those presented to the Board;
- costs representing a prudent, lowest whole-of-life cost outcome; and
- all applicable governance, conflict management and approval requirements being satisfied.

FURTHER NOTED THAT [C-I-C] is 50 per cent owned by Brookfield Property Partners and that the affiliated transaction and conflict management provisions under the Governance Agreement apply to this decision, including director recusals and shareholder approvals where required.

12. Appendices

The following appendices provide supporting detail for the matters addressed in this paper. Directors are not expected to review all appendices in detail; they are provided to ensure transparency, assurance and traceability of the analysis and process undertaken.

Appendix	Title
Appendix A	Financial Analysis (10 Year Cost and NPV)
Appendix B	Melbourne CBD Office Market Scan and RFI Submissions
Appendix C	AusNet Independent Negotiation Tracker
Appendix D	Location Assessment – [C-I-C]
Appendix E	Building Technical Performance Review
Appendix F	End-State Deferral and Lease Sequencing Assessment
Appendix G	Key Dates and High-Level Project Plan
Appendix H	Internal Governance and Support Structure
Appendix I	Non-Financial Assessment Framework
Appendix J	[C-I-C] Building Information
Appendix K	Tail Lease and Sub-Letting Options and Analysis – [C-I-C]
Appendix L	HOA – AusNet [C-I-C] (Draft for Legal Review)