Company Policy
2.6 Investment Management Framework

Approved: 18 November 2022

1 Policy Statement

The company maintains an Investment Management Framework (IMF) to provide clear guidance and accountability in respect of the development, determination and approval of investments, both system, non-system or unregulated investments. This framework provides the requirements to ensure investment decisions are transparent, efficient, and using a whole-of-life approach, thereby providing assurance to the Board and other stakeholders that investment decisions and the ongoing management of investments are efficient, consistent and informed.

2 Purpose

To provide a framework that supports the investment decision process, which is:

- streamlined – decision pathways are clear and efficient
- consistent – assessment of needs, outcomes and risks are aligned across the portfolio and consistent with the corporate strategy and risk appetite
- accurate and transparent — the identification of requirements and justification for investments are based on evidence and follows a clear process; and
- relevant – appropriate information, both level and content, is submitted to enable informed decisions.

3 Scope

This framework applies to all investments. The term “investments” means the whole-of-life commitment of capital expenditure, operating expenditure or a combination of the two. Investments can arise from any portfolios within the organisation both regulated and unregulated.

4 Requirements

4.1 Investment Evaluation

4.1.1 Objective of the Business Case

A business case is a documented proposal that is used to inform an investment decision and the basis for investment prioritisation and approval. In practice, a business case can also be used as a management tool which is developed over the various investment stages – from making a case for change at the concept stage all the way through to implementation and review. The effort and rigour developing the business case should be proportionate to the size and risk of the proposed investment based on Project Delivery Framework Tiering.

A business case should assess the investment proposal’s alignment with the corporate strategy, align to the organisational risk appetite, articulate clear investment outcomes and integrate post implementation evaluation and benefits realisation plan.

A business case should demonstrate prudency, efficiency, deliverability, and alignment to the value framework aiming to maximise value for all relevant stakeholders where possible and demonstrate adequate due diligence and thinking has been undertaken to ensure all relevant legislative, regulatory and governance requirements will be met.

4.1.2 Justification for Regulated Investments

Justification for regulated investments should be based on the requirements of the National Electricity Rules (NER) and associated guidelines and demonstrated through a business case. Elements of the business case for regulated investments should include:

- Demonstration of how the proposal aligns with the Corporate Strategy
- A detailed assessment of future service levels in comparison to Endeavour Energy's obligations and requirements and current risks under a 'business as usual' case
- A detailed options analysis of all credible options. Generally, this would include options of various scopes and timings and rationale for exclusion of any options not deemed credible. Each credible option needs to be realistically costed
- Identification and quantification of all relevant benefits and residual risks for each option. All relevant assumptions should ideally be supported by evidence
- An economic NPV analysis, as the basis for justification, should be performed for each option evaluating costs and benefits over the whole-of-life period to provide a ranking of each possible solution. An appropriate terminal value should be included for value of the costs and benefits beyond the study period where applicable
- A financial analysis using a discounted cashflow method from the investor perspective should also be undertaken to demonstrate shareholder value and account for all incremental costs and revenue. Results of the financial analysis should be expressed in Internal Rate of Return (IRR)
- Benefits in the NPV analysis should be quantified in accordance with the Value Framework (as customers ultimately pay for and benefit from the investment) and could include:
  - Risk avoidance or reduction (i.e. safety, loss of supply, environmental, regulatory or loss of vendor support);
  - Opex savings (i.e. through better efficiency improvements);
  - Capex savings (i.e. through better asset management practices);
  - Improvements to reliability;
  - Improvement of Network through innovation, sustainability and customer expectations; and or
  - Improvements to customer satisfaction.

Where applicable, AER prescribed consequence values (e.g. Value of Customer Reliability) shall be used. All other consequence values (e.g. Value of Statistical Life, bushfire consequence costs) shall be standardised.

Unjustified investments (NPV negative) should only be undertaken under special circumstances, such as necessary to comply with legal or regulatory requirements or if there is compelling strategic benefit that cannot be easily quantified

4.1.3 Justification for Unregulated Investments

Justification for unregulated investments should be primarily measured by shareholder value, with the investment return above the hurdle rate nominated by the Investment Management Committee (IMC).

For unregulated investments, elements of the business case should include options analysis, including various scopes, scenarios and timing, and a financial analysis. The financial analysis using a discounted cashflow method from the investor perspective should be undertaken to demonstrate shareholder value and account for all incremental costs and revenue. Results of the financial analysis should be expressed in IRR.

The economic NPV analysis performed for unregulated investments should adopt the same Value Framework as regulated investments. Benefits to be considered could include:

- Risk avoidance or reduction (i.e. safety, loss of supply, environmental, regulatory or loss of vendor support);
- Opex savings (i.e. through better efficiency improvements);
- Capex savings (i.e. through better asset management practices);
- Improvements to reliability;
- Improvements through innovation, sustainability and customer expectations; and/or
- Improvements to customer satisfaction.

4.1.4 Whole-of-life Evaluation Principle

Whole-of-life investment evaluation principle should be adopted in assessing the capital and operating expenditure for the investment commitment over the lifetime. This includes the initial investment, ongoing support and maintenance, any foreseeable upgrades or enhancements and end-of-life disposal costs that can be reliably measured.

4.1.5 Discount Rate and Sensitivity Testing

An appropriate Discount Rate needs to be reflected in the evaluation of all quantifiable costs and benefits. The discount rate adopted needs to reflect the capital deployment strategy, and relevant risks associated with the proposal. A hurdle rate higher than the agreed discount rate may be nominated by the IMC annually for investment selection.

Sensitivity and risk analysis should be tested against critical assumptions that are subject to uncertainty. Variables should be altered one at a time to test the sensitivity of the financial projections. Risks such as completion risks (time and costs), inflation, cost of capital, or stranded asset risks based on need could be tested for sensitivity.

4.1.6 Investment Selection

Investment selection can be based on a mix of both customer and shareholder values, enabling one or multiple financial and/or risk outcomes to be optimised. The investment selection and optimisation will form part of the annual planning process.

4.2 Portfolio Development

To ensure the right mix of investments are being selected it is important that portfolios are developed using a consistent and standardised methodology. The figure below outlines the process in developing a portfolio, and typically include the following:

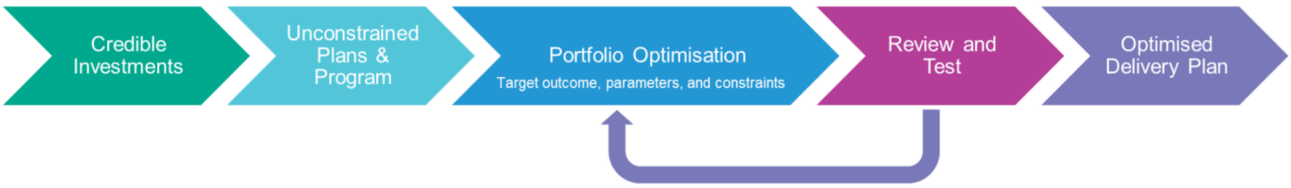

Figure 1: Investment Portfolio Decision-Making Methodology

Credible Investments. The complete range of investments that are considered by investment proponents during their own planning cycles.

Unconstrained Plans and Programs. The final list of justified investments (projects or programmes that are supported by an approved Case For Investment (CFI)) that can be included for optimisation.

Optimisation. The investment optimisation parameters and any constraints applied to determine investment timing or selection will be reviewed and endorsed by IMC prior to the implementation of those parameters in the Investment Decision Support Tool (IDST).

Review and Test. The optimised plans and programs are assessed and validated by stakeholders to ensure that the proposed investments meet the business objectives within our proposed constraints and risk tolerance.

Optimised Delivery Plan. A rolling plan produced by the IDST that supports various business functions including capital planning, asset management and the regulatory submission.

When developing a portfolio, the following principles should be applied to ensure the outcome of the portfolio is in the best interests of our customers and stakeholders:

4.2.1 Value Based Decision-Making

Value based decision-making should be used and applied in a consistent manner using the Value Framework. This is achieved through quantification of risks/benefits, utilising these values to determine the NPV of an investment. Decisions that utilise NPV include investment justification and portfolio optimisation.

In general, a positive NPV and technical feasibility are sought to justify a business case, unless the investment is driven by an explicit regulatory or legislative requirement. In this case the solution with the highest NPV (even if negative) will be adopted. Additionally, the NPV of an investment is used to determine its standing among other investments competing for resources in a constrained optimisation process.

Where multiple solutions are available to address a need or opportunity, all credible options are potential candidates for optimisation.

Refer to the Value Framework for detailed guidelines on maximising value, alignment of investment decisions with strategic objectives and trade-offs.

4.2.2 Maximising value

Maximising value is achieved by selecting the best timing and combination of investments that meet all constraints while achieving the highest possible value. Some investments may be brought forward while others deferred (or excluded), such that the resultant portfolio maximises overall value.

4.2.3 Investment Trade-offs

Trade-offs (prioritisation) should be considered within each expenditure category and between expenditure categories with the objective to maximise value for customers and shareholders.

4.3 Planning and Budgeting Process

4.3.1 Annual Planning Process

On an annual basis, the owners for the relevant portfolios are responsible for developing and updating their strategies and associated investment plans for IMC endorsement. The strategies & plans should:

- outline the investment needs and opportunities for the portfolio, proposed investment areas, outcomes and benefits,
- be prepared on a rolling ten-year basis, and
- be supported by a list of individual justified projects and programs.

The plans could entail various investment quantum options corresponding to various outcomes including investment return or future risk position to allow subsequent iterations of investment portfolio prioritisation and optimisation.

These strategies & plans are to be presented to the IMC for consideration in relation to the corporate strategy and inform any impact to the annual Budget setting and five-year Management Business Plan (MBP) update.

The Portfolio Management Office will develop a Workforce Plan (WFP) during the annual planning process:

- The WFP should account for the resource requirements by work program or job types, delivery models (both internal and external), current resource utilisation rates and productivity requirements.
- The WFP is one of the key inputs into the organisation wide workforce planning process. It is based on the operating division investment needs as well as the unregulated demand as identified by the Chief Customer & Strategy Officer.

The Chief Asset & Operating Officer will propose the delivery models that are key inputs into the WFP.

The IMC will make recommendations to the CEO and the Board for approval on the overall capital investment and allocation between the portfolios and input into the annual Budget and rolling five-year MBP approval process, balancing customer and shareholder needs, reflect the WFP, and align with the regulatory, financing, and tax strategy.

As part of regulatory requirements, Endeavour is required to publish a Distribution Annual Planning Report (DAPR) by end of December each year. The DAPR advises our customers and non-network solutions providers of forecast constraints, economic retirements and thus likely network investments required to address emerging risks. The Portfolio Management Office is responsible for the development of the DAPR and the Chief Asset & Operating Officer should gain CEO approval prior to publishing the DAPR and ensure its consistency with the Optimised Delivery Plan (ODP) selected through the optimisation process.

The Portfolio Management Office is responsible for updating and finalising the Optimised Delivery Plan that aligns to the funding level endorsed by the IMC for Board approval if the funding level endorsed differs from the proposed ODP. The outcome of this process is selected investments on the approved Optimised Delivery Plan will be supported by funding reservation, enabling final business case approval, if not already obtained, and project delivery.

Table 1 – Investment Plans and Approval Requirement

Description	Endorsement	Approval
Annual Budget and five-year Business Plan	ELT	Board
Optimised Delivery Plan	IMC	Board approval of ODP proposed investment level as part of the annual business plan and budget approval.
Workforce Plan (WFP)	Chief Asset & Operating Officer; and Chief Financial Officer	Chief Executive Officer
Distribution Annual Planning Report (DAPR)	Chief Asset & Operating Officer	Chief Executive Officer

4.3.2 Execution of the Optimised Delivery Plan

Generally, the approval of the annual Budget permits commitments to be made within the associated financial year only. However, major projects or programs that span multiple years or require special consideration, for example long lead time orders will require discrete final approvals to allow commitments beyond the approved annual budget.

Notwithstanding this, major projects and programs that span multiple years committed expenditure must not exceed the approved aggregate annual budget within each year of the five-year MBP. Subsequent annual budgets will identify these approved works as continuing approvals.

Each portfolio owner should ensure that the investment funding allocated is utilised as stipulated within the approved Optimised Delivery Plan (ODP).

All business cases submitted for delegated approval should identify funding source and indicate whether the proposal is part of the approved ODP.

Any proposal that is not part of the approved ODP and intended for immediate project delivery must:

- Be the subject of a business case; and
- Be approved in accordance with *Company Policy 1.1.1 Sub-delegations of Authorities by the Chief Executive Officer*.

A proposal that is likely to trigger funding needs above the approved portfolio Budget, or activities inconsistent with the Board approved Business Plan must secure funding through the quarterly forecasting and in-year re-prioritisation process from the IMC.

4.3.3 Quarterly Forecasting and In-year Re-Prioritisation

It is necessary to recognise that external circumstances and our operating environment change from time-to-time, which can significantly impact our overall investment strategy. Changes of the investment strategy will be determined by the Executive Leadership Team (ELT) and the Board.

Management of the capital and operating allowance variations during the financial year:

If the allowances reduce, Portfolio Management Office for investments from operating divisions or the relevant Branch Managers for investments from non-operating divisions will be responsible for identifying works or activities that need to be postponed or otherwise cancelled to meet new Budget targets and the management of the associated changes to deliverables and forecasts while minimising impact to the overall program objectives.

If further allowance becomes available, Portfolio Management Office for network investments or the relevant Branch Managers for other investment portfolios will identify justified works that can be delivered within an appropriate timeframe which will be added to the delivery program.

The PMO, Branch Managers, or where relevant, budget holders, for the investment portfolios are responsible for monitoring the performance and delivery of the approved ODP. At a minimum, each division is required to update quarterly on the overall portfolio and individual investments' forecast expenditure for the remainder of the year and expected investment outcomes.

Where budget constraints cannot be met (at a portfolio level), a re-forecast and re-prioritisation of the ODP need to be prepared and submitted to the IMC as part of the quarterly forecast. This includes revised investment portfolio outcomes, and any consequent future risk position.

Note, this requirement is triggered whether funding is in excess or in shortage, due to discretionary investment proposals emerging outside the planning process or due to unforeseen circumstances that the delivery of the approved ODP cannot be carried out as expected. Additional funding requests to deliver the Optimised Delivery Plan should be provided to the IMC for endorsement.

Similarly, through the forecasting exercise, based on the total actual cost incurred to-date and forecast cost to complete, where identified that a project or program is likely to exceed the approved final business case, approved position, or requiring contingency draw down, and no foreseeable cost saving measures can be implemented to offset these increases, a request for the total project/program cost increase or contingency draw down should be prepared and approved according to *4.4.3 Planned Investment Development Lifecycle - Table 3*.

4.4 Investment Development Lifecycle

4.4.1 Types of Investment Proposals

There are two types of investment proposals:

- Planned investments generally include projects and programs that can be implemented in a planned manner. Generally, there is a time discretion on the commencement or completion of the investment.
- Reactive investments generally include investments that have none or very limited time discretion, are based on pre-defined selection criteria (performance standards, maintenance standards, technical bulletins, internal or external service level agreements etc) and no-action can cause significant risk and/or cost consequence.

Proposals involving committing surplus assets for revenue purposes should be considered as planned investments. Approval of these proposals should be in accordance with *Company Policy 1.1.1 Sub-delegations of Authorities by the Chief Executive Officer*. Strategic proposals with the following characteristics require consultation with Commercial Finance to determine whether additional endorsements are required:

- Asset utilisation for revenue purposes is not part of an existing activity envisaged in the business plan.
- Commitment is long-term (longer than typical existing arrangements) that could potentially restrict future option value; and
- Revenue setting needs to rely on external market benchmarking rather than being able to rely on existing standard unit rate.

4.4.2 Approval of Investment Proposals

All planned investments must be the subject of a business case.

For reactive investments, endorsement is gained via review of standards/procedures that outline actions to be taken for the given circumstance. The delegated approval level is based on the investment impact of the standards or procedures over the life of its validity (review frequency or until it's next review date).

The total aggregate investment level for each portfolio that is reactive in nature should be quantified and clearly outlined in the Optimised Delivery Plan, endorsed by the IMC as part of the annual planning process.

All investment approvals are under the sub-delegation with endorsement by key relevant stakeholders. The approval thresholds are as outlined under Table 2.

The approval requirements for investment values or subsequent variations exceeding CEO delegation thresholds are stipulated under *Board Policy 1.1 – Delegation of Powers and Functions to the Chief Executive Officer*. However, endorsement from the CFO, CEO and IMC should be gained prior to the proposal's submission to the Board or its Committees for approval.

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Table 2 – Preliminary and Final Business Case Approval Limits

<table>
<tr><th>Band</th><th>Investment Proposal Threshold</th><th>Endorsement</th><th>Approval</th></tr>
<tr><td></td><td>Over $50M – system investment capital expenditure
Over $15M – non-system investment capital and operating expenditure</td><td>Investment Management Committee and Chief Executive Officer (CEO)</td><td>Board</td></tr>
<tr><td>Band 1</td><td>$50M – system investment capital expenditure
$15M – non-system investment capital and operating expenditure</td><td>Investment Management Committee and Chief Financial Officer (CFO)</td><td>Chief Executive Officer</td></tr>
<tr><td>Band 2</td><td>$10M – system investment capital expenditure
$5M – non-system investment capital and operating expenditure</td><td rowspan="5">Head of Commercial Finance</td><td>Chief Financial Officer or
Chief Asset & Operating Officer (for Asset & Operations division proposals)</td></tr>
<tr><td>Band 3</td><td>$2M</td><td>GM Business Services
Chief Customer & Strategy Officer</td></tr>
<tr><td>Band 4</td><td>$500K</td><td>GM Health Safety & Environment
GM People Culture & Transformation
GM Data Analytics & Insights</td></tr>
<tr><td>Band 5</td><td>$500K</td><td>Head of Asset Planning & Performance
Manager Design
Head of Portfolio Management Office
Head of Supply Chain Major Contracts & Fleet
Head of Ausconnex</td></tr>
<tr><td>Band 6</td><td>$350K</td><td>Manager Projects & Programs
Manager Commercial Operations
GM Data Analytics & Insights</td></tr>
<tr><td>Band 7</td><td>$200K</td><td></td><td>Project Director
Head of Field Operations
Manager System Operations
Project Directors
Head of Customer Network Solutions
Head of Future Grid
Manager Property
Head of Technology
Manager Major Contracts
Senior Project Manager (ACX)
Head of Digital & Insights</td></tr>
<tr><td colspan="4">Band 8 - 12As per 1.1.1 Sub-delegations of Authority by the Chief Executive Officer</td></tr>
</table>

4.4.3 Planned Investment Development Lifecyle

The following process outlines the typical process for all investments. For a more detailed understanding, please refer to the Project Delivery Lifecycle, Asset Management and Value Frameworks.

Need or opportunity identification typically arises from asset management system activities such as asset performance reviews, various internal and external growth forecasts, risk reviews, etc. Long term need forecasting can also be modelled using assumed condition and failure data, giving up to 10-year projections of likely expenditure need. Opportunities typically arise from improvement programs, technology changes, external environment changes etc. It is considerably more difficult to model opportunities over the longer term.

Option analysis is typically required for large discrete projects and programs where multiple technology and/or time frame solutions are available for consideration. Typically, option consideration is cross-business, and can involve external stakeholders also.

Justification should be demonstrated within a business case that the investment proposal aligns with the Corporate Strategy, that it is within the Business's risk appetite, and delivers net benefit to customers and/or shareholders. Refer to 4.1 for details on investment evaluation.

- Justification for regulated investments in the form of a Case-for-investment (CFI) is based on the regulatory test principles or relevant AER guidelines and demonstrates application of the organisations value framework to quantify benefits. As justification is not financial commitment, CFIs are typically approved by the proposing Branch Manager based on subject matter expertise.
- Approval of regulated investment justification is not subject to delegation framework. Multiple solutions for the one need can be approved as justifiable options for selection consideration.

Preliminary approval to allow undertaking significant project development activities and incur seed funding before final business case approval. Investments requiring Preliminary Approval are:

- investment activities that are emerging and inconsistent with the Board approved business plan;
- significant seed funding or resources (greater than $1m for operating division investments or greater than $200k for non-operating division investments) need to be committed prior to gaining final business case approval
- further development of the investment opportunity and exploring investment options involves public consultation, such as the RIT-D process or community engagement, which effectively commits the organisation to the investment proposal publicly; or
- unregulated investment opportunities that require the submission of a tender, quotation or binding offer for external works.

The basis of the preliminary approvals should be a preliminary business case for the entire project demonstrating that the investment proposal aligns with Corporate Strategy and Objectives, within the organisational risk appetite, and net benefits likely exist within one or multiple of the investment options. If significant seed funding is required, the preliminary business case must outline the early development activities' scope, timeframe and costs being undertaken prior to final business case approval.

The preliminary approval should be obtained based on the total investment value for the option that has the highest likely whole-of-life costs, consistent with final business case approval thresholds, under the sub-delegation framework. This is outlined under *4.3.2 Approval of Investment Proposals*.

Seed funding can be made available for prototype or early development phases which could include, but not limited to, completing the RIT-D process, project scoping, detailed design required for planning and estimation, environmental assessment, ordering long lead time standard inventory, commence land and easement acquisition, equipment or product trial, public consultation, preparation for tender response/binding offer and/or finalise the Final Business Case.

Seed funding can be sought to progress preliminary approval stage. Seed funding expenditure can be approved under the sub-delegation.

Portfolio optimisation is the process of considering and comparing all potential candidates for investment through an iterative process to maximise benefits or outcomes within the constraint of current or expected resources. Refer to 4.2.1 Annual Planning Process for details.

Final Business Case Approval should be provided on the basis that the project is selected as part of the final Optimised Delivery Plan after portfolio optimisation.

- The Final Business Case approval should incorporate an appropriate level of contingency based on known risks. However, as unmaterialised risks, contingencies approved should NOT be included in the annual budget.
- The Approval may be for multiple financial years if the investment proposal is a multi-year project or program.
- Approval sought should be based on the total whole-of-life investment value, while clearly identifying capital and operating expenditure components within the total investment.
- The approval limits are outlined under Table 2.

Project Execution will occur only for investment proposals selected through the annual planning process and after final business case approval has been obtained. Projects are executed following the Project Delivery Lifecycle Framework

- The timing of delivery for selected projects may depend upon budget constraints and the optimisation process outlined previously.
- The end to end delivery of the selected projects will be managed by the Portfolio Management Office for operating division investments, and the relevant Branch Managers for non-operating division investments.
- Head of Portfolio Management Office and the relevant Branch Managers are responsible for maintaining the records of all contingency draw-down and variation approvals.
  - The Project Change Request (PCR) process is followed to facilitate variations and contingency draw down. The PCR process provides for the once removed principle to be applied for financial approval to draw-down contingency or approve a financial variation unless specific delegation thresholds apply. If contingency exists within the approved Final Business Case or variation to the approved Final Business Case total expenditure value including contingency is less than 5%, access to the contingency or variation can be approved based on once removed principle. This means approval needs to be gained from a position holder's direct line manager or supervisor. Use the once removed principle to manage the risk of a perceived personal benefit, or conflict of interest. For further information on this principle, consult the business' Code of Conduct.
  - If the variation exceeds 5% above the approved Final Business Case total expenditure including contingency, then the delegation applies to the sum of the final approval plus the cumulative value of all variations to direct costs and contingencies. Refer to Table 2 for the relevant approval thresholds. If the variation is greater than 20% below the approved Final Business Case either in scope or costs for discrete projects, approval should be gained to revalidate whether the investment remains justified. The delegation of the approval applies to the sum of forecast project direct costs and contingency.

Table 3 - Contingency and variation approvals

Contingency or variation approvals	Approval requirements
Draw down of approved contingency within Final Business Case	Once removed
If no contingency exists, variation ≤ 5% of Final Business Case approved total project value.	Once removed
If no contingency exists, variation > 5% of Final Business Case approved value	Approval per delegation based on the sum of the final approval plus the cumulative variations. (Refer to Table 2 for approval and endorsement thresholds)
Variation greater than 20% below the approved Final Business Case either in scope or costs for discrete projects	Approval per delegation based on the sum of the forecast project direct costs plus contingency.

4.4.4 Reactive Investment Development and Approval

For reactive investments, including preventive maintenance programs, end of life replacements and fix-on-fail activities, endorsement is gained via review of standard/procedure that outlines actions to be taken for given circumstance.

The impact assessment for the standards/procedure change should follow the same principle as planned investments demonstrating the benefit of addressing the need outweighs the costs (unless the activity is necessary to comply with legal or regulatory requirements).

Oversight is provided by the IMC whereby all substantive changes to standards are presented for cost/benefit consideration and annual expenditure level endorsed as part of the annual planning process.

The approval threshold is in accordance with sub-delegation.

Variations to funding allocation against aggregate reactive investments within each portfolio will be endorsed by the IMC as part of the quarterly forecast and in-year reprioritisation process.

4.5 Reporting

4.5.1 Investment Reporting Objectives

The objective of investment reporting is to provide transparency and accountability on all investment decisions throughout the investment lifecycle.

It is aimed at providing insights into future projects and programs, on both forecasts for time and costs (leading indicators) and performance measures against approved scope on current and completed projects and programs (lagging indicators).

In order to drive consistency and standardisation of governance and reporting, a tiered approach against project attributes will be adopted to determine the degree of rigor around project governance, assurance, reporting and artefact requirements throughout the project lifecycle.

This information must be available and common across the business for all stages of the life cycle and should include:

- Financial reporting, including CAPEX, OPEX and TOTEX in managing expenditure for all investment decisions.
- the principal risk and investments to the full disclosure of the complete project lifecycle.

4.5.2 Investment Outcome Reporting

A report will be provided to the IMC to articulate the investment portfolio outcome in terms of value, such as risk reduction, service improvements or cost savings, based on the ODP approved as part of the annual Budget and Business Plan.

The investment portfolio outcome report will also be updated based on actual projects and programs delivered and measured against the planned investment outcome associated with the approved ODP.

4.5.3 Investment Planning and Performance Reporting

Investment planning reporting:

- Provide reporting to the IMC showing the quantum of each phase within the pipeline of all investments, from investment ideation, justification, select delivery to completion,
- Provide regular status update to the IMC on the upcoming major investments requiring CEO or Board approval or subject to processes likely resulting in public commitment of the investments, such as the RIT-D process, and
- Provide a monthly program status report for Tier 4 Projects based on total investments (Capex, Opex and Totex) against the portfolio's aggregate project and program expenditure.

Financial Reporting: a monthly report in Totex, separating Capex and Opex, view:

- at each portfolio's aggregate investments level: actual expenditure year-to-date against approved budget and forecast year end position,
- at individual project and program level: total expenditure incurred to date, forecast year end position and variance to approved budget and forecast cost-to-complete.

Delivery Reporting (Tier 4 Projects):

- identify details of project delivery status;
- actual spend over the project life-to-date and remaining project forecast cost-to-complete against approved final business case,
- status of contingency draw-down and variations approved, and
- expected delivery date against investment need date.

4.5.4 Year-end Reviews

The year-end review aims to leverage our datasets to draw insights on actual performance and evaluate against alignment with investment strategy, regulatory and shareholder expectations.

The review should inform the IMC using a fact-based approach by reviewing and critiquing the datasets, such as regulated or unregulated financial or operational data or the RIN data, drawing analytical insights into investment outcomes and delivery productivity.

Metrics reviewed as part of the year-end review could include but not limited to: return to shareholders, customer outcomes, regulatory benchmarking metrics, tracking Endeavour's performance against historical and industry benchmarks, asset category performance, actual return against expected return, and/or benefit realisation.

The maturity and depth of the annual review can be improved over time by reviewing prior year learnings and evaluating the effectiveness of the implementation of these learnings.

4.5.5 Post Implementation Review (PIR)

The purpose of the PIR is to validate whether the project delivered the expected scope and realised planned benefits. It should focus on all Phases of Project Delivery as outlined in the Project Delivery Framework.

A PIR is required to be reported to IMC for Tier 4 projects within each portfolio (for PMO led Projects). For non PMO projects the PIR requirement is based on investment value that are above the CEO approval threshold, project risks, learning value from being an innovation project or new initiative, or at the request of the IMC.

The PIR is presented to the IMC typically at the completion of the investment initiative/project. The selection should be of different investment portfolios through the year, such as IT, System, Fleet, Property and unregulated investments etc. The Portfolio Management Office will be responsible for conducting Tier 3 and below PIRs, however, the IMC have the prerogative to request a PIR on any project.

A PIR should be prepared and presented by a party independent of the project development and delivery lifecycle to provide an objective view of the investment against scope and benefits. Representation from the business should be invited to participate in the review and presentation.

The PIR should capture the following:

- An assessment of the project scope, and benefits as stated in the original Business case and any subsequent variations against delivered scope and realised benefits.
- An assessment of project performance against planned and actual investment and schedule including insights into cost variance drivers, such as scope change, over or under estimating, contractor performance and any recommendations or lessons learnt. Lessons learnt and recommendations for improvement stated in the business case, and any variation documentation.

5 Authorities and responsibilities

Party	Responsibility
Chief Executive Officer	has the authority and responsibility for approving this Framework.
Investment Management Committee	Guides the business on sound investment decisions; • Reviews the organisation's overall capital strategy; • Makes recommendation to the CEO, and Board to ensure Optimised Delivery Plans are efficient; • Reviews and endorses investment proposals above the IMC review threshold.

Party	Responsibility

Chief Financial Officer	• IMC Chair
	• has the authority and responsibility for:
	  ○ delegating responsibility to conduct financial evaluation of the investment proposals;
	  ○ endorsing investment proposals as per the Framework; and
	  ○ allocating sufficient resources to maintain compliance with this Framework.

ELT Members	have the authority and responsibility for:
	• endorsing or approving investment proposals as per the Framework;
	• delegating responsibility for the following within their Division:
	  ○ developing the relevant divisional policies, standards and procedures, such as engineering or maintenance standards, that have impact on investment needs;
	  ○ consulting with internal and external stakeholders as appropriate in the development of policies and standards;
	  ○ obtaining approval for changes in policies and standards in accordance with the criteria in this procedure;
	  ○ developing the longer-term plans and strategies and submitting them to the IMC and board for information where required;
	  ○ submitting the consolidated investment portfolio to the IMC, or Board, as part of the annual business plan and budget approval process;
	  ○ developing the investment portfolio and incorporating the portfolio within the investment decision support tool;
	  ○ communicating the timetable, co-ordinating the annual prioritisation process, and providing for a consistent risk assessment;
	  ○ identifying the investment need and development of business case/scoping documentation for projects/programs with preliminary approval;
	  ○ completing the ODP change control where a project/program is not included in the current ODP approval;
	  ○ maintaining a process of post implementation review;
	  ○ incorporating feedback and learnings from post implementation reviews into future projects;
	  ○ maintaining company procedures which support this procedure.

Head of Commercial Finance	has the responsibility for: • completing or delegating the financial evaluation of the investment proposals; • ensuring the integrity of all investment related reporting; and • endorsing investment proposals as per the procedure.

Party	Responsibility
Head of Portfolio Management Office	has the authority and responsibility for: • assessing delivery risks and constraints to the prioritised System investment portfolio and providing resulting variations for inclusion in the ongoing portfolio forecasts reported to the IMC; • completing the ODP change control where a project/program is not included in the current ODP approval; • identifying works or activities that need to be postponed or otherwise cancelled if funding reduces or likely portfolio overrun has been identified; and • maintaining the records of all contingency draw-down and variation requests for system capital. • developing documentation seeking final approval for system investment proposals; and • identify justified works, which can be delivered within an appropriate timeframe, to be added to the delivery program if additional funding is available.
Manager Reporting & Insights	supports the reporting requirements from Finance, Asset Planning and Performance, Portfolio Management Office, IT, Fleet and Property, Unregulated Investments or other portfolios.
Managers	have the authority and responsibility for all employees within their area being compliant with this Framework
Employees	have the authority and responsibility to comply with this Framework.

6 Terms and Definitions

Term	Definition
AER	Australian Energy Regulator.
Annual Budget	The Board approved total annual portfolio expenditure limit. This is integrated within the annual approval of the capital program, the operating budget and the business plan.
Approve/authorise	To formally give sanction to a decision that may have internal or external consequences. An approver only has the authority for decisions within the scope of his/her normal area of responsibility and delegations. All approvals must be explicitly documented through the online/system approval or otherwise, for example email trail or signature and kept accessible to establish an audit trail for future reference. All approvals must comply with company policies on sub-delegation of authority.
Endorse	To express support for a decision.

Term	Definition
Executive Leadership Team (ELT)	The Executive Leadership Team comprises of the Chief Executive Officer and Executives who directly report to the Chief Executive Officer.
Portfolio	A group of projects and/or programs at the Organisation level
Optimised Delivery Plan (ODP)	Is the output of the portfolio optimisation process. The plan consists of a list of investments and includes the proposed timing of expenditure for each investment. A two to ten-year list of investments aggregated into a portfolio.
Post Implementation Review (PIR)	Full project review assessing the success of the project as defined in the Business Case (including any approved variations) against actual scope, budget, schedule and realised benefits. The review also captures lessons learned encountered on the project.
Program	A program is a collection of related projects that : (a) are similar with respect to their asset category, delivery and objectives; and (b) can be managed and coordinated so as to deliver benefits not realised if delivered individually
Project	A project is a discrete, non-recurring scope of work that has explicit objectives and outcomes and is delivered within an approved schedule, budget and resource allocation.
Regulatory Investment Test for Distribution (RIT-D)	The test developed and published by the AER in accordance with the National Electricity Rules.
Workforce Plan (WFP)	The five-year plan to forecast and match the labour resource demand with the labour supply to meet both Network and unregulated projects and programs deliveries.

7 Document information

Content Coordinator	Head of Commercial Finance
Process Category	Governance
Amendment No	2
Approved By	CEO
Approved Date	18 November 2022
Review Date	15 September 2023
Relevant Legislation	*Corporations Act 2001 (Cth)* *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW))* *Electricity Retained Interest Corporations Act 2015 (NSW)* *Powers of Attorney Act 2003 (NSW)*

Company Policy
2.6 Investment Management Framework

Approved: 18 November 2022

Relevant Standards / Codes	ISO 31000:2018 Risk management – Principles and guidelines ISO 55001:2014 – Asset management – Management systems – Requirements Sub-delegations Schedule
Related Policies	Board Policy (Leadership) 1.1.NAP – Delegation of Powers and Functions to the Chief Executive Officer [Annexure A: Instrument of Delegation of Authority to the Chief Executive Officer] Board Policy (Leadership) 1.1.NOP – Delegation of Powers and Functions to the Chief Executive Officer [Annexure A: Instrument of Delegation of Authority to the Chief Executive Officer] Board Policy (Leadership) 1.1.NUP – Delegation of Powers and Functions to the Chief Executive Officer [Annexure A: Instrument of Delegation of Authority to the Chief Executive Officer] Board Policy (Finance Management) 6.0.1 – Endeavour Energy Group Treasury Risk Policy Company Procedure (Governance) GRM 0028 – Conflicts of Interest Company Policy (Leadership) 1.1.1 – Sub-delegations of Authority by the Chief Executive Officer