

Company Policy

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| GOVERNANCE | Document No : CECP0002.30 Amendment No : 0 Approved By : CEO Approval Date : 05/11/2014 Review Date : 05/11/2017 |
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CECP0002.30 INVESTMENT GOVERNANCE FRAMEWORK

1.0 POLICY STATEMENT

The company maintains an Investment Governance Framework (IGF) to provide clear guidance and accountability in respect of the development, determination and approval of investments, both network (systems) and non-systems. This framework provides the basis for making investment decisions in a transparent and efficient manner by taking into account a full life cycle approach to such investments, and thereby providing assurance to the board and other stakeholders that investment decisions made are efficient, consistent and informed.

2.0 PURPOSE

This policy provides the framework for all investments, whether operating or capital in nature, to support the making of investment decisions which are:

- streamlined – decision pathway flows are clear and efficient;
- consistent – assessment of needs, outcomes and risks are aligned; and
- relevant – appropriate information, both level and content, is submitted to the necessary forum to enable informed decisions.

3.0 REFERENCES

Internal

CECP0001.01 - Board Policy (Leadership) – Delegation of Powers and Functions to the Chief Executive Officer and Power of Attorney
 CECP0001.02 - Company Policy (Leadership) – Sub-Delegations of Authority by the Chief Executive Officer
 CECP0002 - Board Policy (Governance) – Governance
 CECP0002.03 - (Governance) – Risk Management
 CECP0002.33 - Company Procedure (Governance) – Non-System Investment Proposals to NSW Committees
 CEOP2191 Operational Procedure: Capital Governance Framework - Capital Portfolio & Investment Approvals
 Company Procedure (Governance) – Network (System) Investment Proposals
 Investment Steering Committee Charter (NNSW)
 Network Steering Committee Charter (NNSW)
 Non-System Steering Committee Charter (NNSW)

External

ISO 31000:2009 – Risk Management – Principles and Guidelines
 ISO 55000:2014 – Asset Management – Principles

4.0 DEFINITIONS

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.

All approvals must be explicitly documented through the online/system approval or otherwise eg 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.

Business Management System (BMS)

The integrated policy and procedure framework that contains the approved version of documents.

Capital

Any project, network (system) or non-system expenditure which provides service potential or future economic benefit to the company.

Document control

Employees who work with printed copies of documents must check the BMS regularly to monitor version control. Documents are considered “uncontrolled if printed”, as indicated in the footer.

Endorse

To express support for a decision.

Executive Leadership Team

Chief Operating Officer, General Manager Health, Safety & Environment, General Manager People & Services, Chief Engineer, General Manager Network Development, General Manager Network Operations, General Manager Finance & Compliance and General Manager Information, Communications & Technology.

Networks NSW Investment Steering Committee (ISC)

A committee that supports the CEO and Board in the evaluation of network investments. It provides increased alignment of programs across the operating companies by applying consistent review criteria. The purpose, duties, membership and responsibilities of the ISC are contained within the committee’s charter.

Network (system) investment

A capital or operating investment that directly supports the electrical network.

Networks NSW (NNSW)

Should be construed as a reference to Ausgrid, Endeavour Energy and Essential Energy each acting severally under the Umbrella Cooperation Agreement dated 1 July 2012 to achieve efficiency benefits.

Network Steering Committee (NSC)

A committee that supports the ISC in the evaluation of network investments. It provides increased alignment of programs across the operating companies by applying consistent review criteria. The purpose, duties, membership and responsibilities of the NSC are contained within the committee’s charter.

Non-System investment

A capital or operating investment that indirectly supports the electricity network.

Non-System Steering Committee (NSSC) (NNSW)

A committee that supports the Investment Steering Committee in the evaluation of non-system investments. It provides increased alignment of programs across the operating companies by applying consistent review criteria.

Operating expenditure

Refers to expenditure required for the carrying out of works or the supply of goods and services required for the day to day functions of the company.

Portfolio

A group of programs and/or projects.

Program

In the context of a system based program is a collection of projects that are:

- (a) Similar with respect to their asset category, delivery and objectives; and
- (b) Are independent of each other but share or contribute to a common risk profile.

In the context of a non-system based program is a collection of projects that are:

- (a) Highly inter-related in their delivery and objectives, such that each project is dependent upon the other; and/or
- (b) Connected in such a way that realisation of the anticipated benefits cannot be achieved without delivery of each of the component projects.

Project

A project is a discrete, non-recurring scope of effort that has explicit objectives and operates via a nominated schedule, budget and resources.

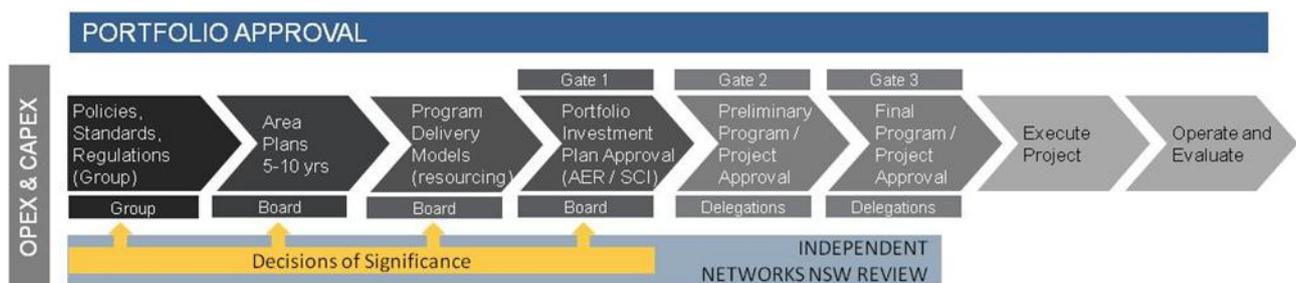
Review date

The review date displayed in the header of the document is the future date for review of a document. The default period is three years from the date of approval however a review may be mandated at any time where a need is identified due to changes in legislation, organisational changes, restructures, occurrence of an incident or changes in technology or work practice.

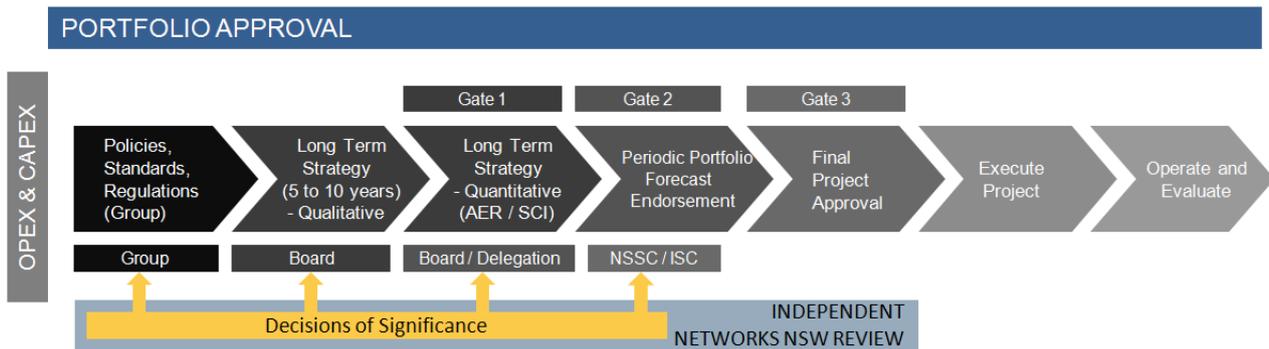
5.0 KEY REQUIREMENTS

The IGF consists of a number of key stages. These stages differ slightly for network (system) and non-system investments.

The key stages in respect of network (system) investments are shown in the diagram below:



The key stages in respect of non-system investments are shown in the diagram below:



At a Networks NSW level there are three committees that support the IGF:

- the Investment Steering Committee (ISC);
- the Network Steering Committee (NSC); and
- the Non System Steering Committee (NSSC).

The purpose, duties and responsibilities of the committees are contained in each committee’s charter.

In accordance with the determined materiality thresholds, programs/projects must be subject to:

- independent review and endorsement by the relevant committees above prior to approval; and
- independent financial analysis and assessment.

6.0 ACTIONS TO ACHIEVE IMPLEMENTATION OF THIS POLICY

- Development and revision of procedures to support operational compliance to this policy, including procedures to support the development, review, endorsement and approval of investment proposals at each stage of the IGF.
- Communication of policy to all impacted areas.

7.0 AUTHORITIES AND RESPONSIBILITIES

Chief Executive Officer has the authority and responsibility for approving this policy.

General Manager Finance & Compliance has the authority and responsibility for monitoring compliance with this policy.

Executive Leadership Team has the authority and responsibility for:

- complying with this policy and relevant company procedures in the preparation of investment proposals by, or affecting, their division;
- allocating resources and developing policies and procedures to maintain compliance with this policy;
- maintaining company procedures which support this policy.

Managers have the authority and responsibility for employees within their area being aware of and complying with this policy.

Employees have the authority and responsibility for complying with this policy.

8.0 DOCUMENT CONTROL

Content Coordinator : General Manager Finance & Compliance

Distribution Coordinator : GRC Process Coordinator