

Structural Separation and Operational Separation

Structural Separation requires the Next Gen NBN NetCo to demonstrate that it is not under the Effective Control of its downstream operators, such as operating companies and RSPs, and vice versa.

Operational Separation is a less stringent form of separation. The Next Gen NBN OpCo is required to be operationally separated from its downstream operators.

The table below outlines the key highlights of the separation requirements imposed on the Next Gen NBN NetCo and Next Gen NBN OpCo¹.

Key Highlights of Structural Separation: Requirements Imposed on Next Gen NBN NetCo	Key Highlights of Operational Separation: Requirements Imposed on Next Gen NBN OpCo
<ul style="list-style-type: none"> • Stricter form of separation • Defined as “No Effective Control” • The Next Gen NBN NetCo and its downstream operators are separate entities with fully autonomous decision-making considerations • No Effective Control means that the Next Gen NBN NetCo has no control over the management and major operating decisions of its downstream operators, and vice versa <p>One assessment factor is the level of cross-shareholding between Next Gen NBN NetCo and its downstream operators</p>	<ul style="list-style-type: none"> • Less stringent form of separation • Allows the Next Gen NBN OpCo to be fully owned by its downstream operating units • Next Gen NBN OpCo is required to be established as a separate legal entity • Next Gen NBN OpCo is required to provide equivalence of input to all downstream operators, i.e., provide its services at the same prices and terms, with the same processes and information • Next Gen NBN OpCo is required to be independent from its affiliated downstream operating units, including the following: <ul style="list-style-type: none"> ○ Operate in all respects on a standalone basis, separate from its affiliated downstream operating units ○ Be located in separate premises ○ Independently formulate & make its own decisions on its assets and commercial policy ○ Not allow its affiliated downstream operating units to have unequal influence on the formulation of commercial policy, and access to commercial information or customer confidential information

¹ The table is not meant to be comprehensive and outlines only the key points. Details of the separation requirements are provided to the qualified Consortium Leads for the Next Gen NBN NetCo and OpCo RFPs.

Key Highlights of Structural Separation: Requirements Imposed on Next Gen NBN NetCo	Key Highlights of Operational Separation: Requirements Imposed on Next Gen NBN OpCo
	<ul style="list-style-type: none"> ○ OpCo's Board of Directors, Management and employees shall not have responsibilities in any of its affiliated downstream operating units ○ All remuneration and incentive schemes for the OpCo's Board of Directors, Management and employees must not be linked to the performance of its affiliated downstream operating units ○ Ensure compliance with Operational Separation Requirements, through the maintenance of a comprehensive governance manual, compliance to a set of Operational Separation Performance Indicators and appropriate reporting to the Monitoring Board