



Solvency II - Qualifying listed infrastructure company example

Full Analysis available on request from: f.hughes@globallistedinfrastructure.com

Reference	Requirements as per Solvency II Delegated Act	Transurban Group AU000000TCL6
Article 1 - 55(a)	'Infrastructure assets' means physical structures or facilities, systems and networks that provide or support essential public services.	Invests in toll roads which could be argued to provide 'essential public services'
Article 1 - 55(b)	'Infrastructure project entity' means an entity which is not permitted to perform any other function than owning, financing, developing or operating infrastructure assets, where the primary source of payments to debt providers and equity investors is the income generated by the assets being financed.';	Global infrastructure developer and operator so is an 'infrastructure project entity'
Article 164a - 1(a)	the infrastructure project entity can meet its financial obligations under sustained stresses that are relevant for the risk of the project;	
Article 164a - 1(b)	the cash flows that the infrastructure project entity generates for debt providers and equity investors are predictable;	Low demand risk as toll roads are in locations to ease congestion and connect developed areas (hence continued use expected)

<p>Article 164a - 1(c)</p>	<p>the infrastructure assets and infrastructure project entity are governed by a contractual framework that provides debt providers and equity investors with a high degree of protection including the following:</p> <p>(a) where the revenues of the infrastructure project entity are not funded by payments from a large number of users, the contractual framework shall include provisions that effectively protect debt providers and equity investors against losses resulting from the termination of the project by the party which agrees to purchase the goods or services provided by the infrastructure project entity;</p> <p>(b) the infrastructure project entity has sufficient reserve funds or other financial arrangements to cover the contingency funding and working capital requirements of the</p>	<p>(a) Revenues are funded by payments from large number of users as have interest in twenty international toll roads</p>
	<p>where investments are in equities, or bonds or loans for which a credit assessment by a nominated ECAI is not available, the following criteria are met:</p> <p>the infrastructure assets and infrastructure project entity are located in the EEA or in the OECD;</p>	<p>Infrastructure assets located in USA and Australia (both OECD). Infrastructure project entity appears to be based in Australia.</p>

Article 164a - 1(f)

where the infrastructure project entity is in the construction phase the following criteria shall be fulfilled by the equity investor, or where there is more than one equity investor, the following criteria shall be fulfilled by a group of equity investors as a whole:

- the equity investors have a history of successfully overseeing infrastructure projects and the relevant expertise;
- the equity investors have a low risk of default, or there is a low risk of material losses for the infrastructure project entity as a result of the their default;
- the equity investors are incentivised to protect the

the infrastructure project entity has established safeguards to ensure completion of the project according to the agreed specification, budget or completion date;

where operating risks are material, they are properly

the infrastructure project entity uses tested technology and design;

the capital structure of the infrastructure project entity allows it to service its debt;

the refinancing risk for the infrastructure project entity is

the infrastructure project entity uses derivatives only for risk-mitigation purposes.

Infrastructure project entity has some assets in construction and in operational phases. The firm has experience in dealing with construction phase projects, hence it would be expected that criteria met.

<p>Article 164a - 2(b)</p>	<p>where the revenues of the infrastructure project entity are not funded by payments from a large number of users, the party which agrees to purchase the goods or services provided by the infrastructure project entity shall be one of the following:</p> <ul style="list-style-type: none"> (i) an entity listed in Article 180(2) of this Regulation; (ii) a regional government or local authority listed in the Regulation adopted pursuant to Article 109a(2)(a) of Directive 2009/138/EC; (iii) an entity with an ECAI rating with a credit quality step of at least 3; (iv) an entity that is replaceable without a significant change 	<p>Revenues are funded by payments from a large number of users (users of toll roads)</p>
<p>Potentially eligible for lower capital charge</p>		<p>Yes</p>