

Exhibit VV - Variation Principles

1. Definitions

Unless otherwise expressly defined, expressions used in this Exhibit have the meanings given to them in or for the purposes of this Deed:

Agreed Margins means the D&C Margin, the O&M Margin and the D&C Preliminaries.

Allowance means, subject to the terms of this Exhibit, the percentage allowances to which the Company or the Trustee is entitled for the relevant component identified in Table 1 or Table 2 in section 4 (as the case may be) depending on the applicable thresholds set out in column 2, 3 or 4 (as the case may be) of the relevant table.

Base Costs means Design Base Costs, D&C Base Costs, O&M Base Costs, Bureau System Costs, WGT Base Costs and other Costs, directly attributable to a Change Compensation Event or in the case of WGT Base Costs and Bureau System Costs, as a consequence of the occurrence of a Change Compensation Event, but excluding:

- (a) any WGT Revenue Impacts;
- (b) any Agreed Margins or other Margin;
- (c) administrative and overhead costs reasonably and properly incurred by the Company or the Trustee in administering the Variation; and
- (d) any amount calculated in accordance with sections 5 and 7.

Bureau System means each of the following:

- (a) the Tolling System; and
- (b) the asset management system.

Bureau System Costs means the actual costs properly and reasonably incurred or which will be properly and reasonably incurred by any entity within the Transurban Group carrying out capital works, non-capital works or activities in relation to a Bureau System as a consequence of the occurrence of a Change Compensation Event, including warranty costs and lifecycle costs, but for the avoidance of doubt, excluding costs that the relevant entity or entities (as applicable) within the Transurban Group would otherwise have incurred irrespective of the occurrence of the Change Compensation Event.

Change Compensation Event means each event or change described in the table in section 2.

Costs means all direct capital, operating, access and other costs properly and reasonably incurred or which will be properly and reasonably incurred by the Company or the Trustee (as the case may be).

D&C Base Costs means the actual costs properly and reasonably incurred or which will be properly and reasonably incurred by the Operator or other subcontractor carrying out the works (as the case may be) and directly attributable to a Change Compensation Event, including any on site management and supervision costs that are properly and reasonably incurred or which will be properly and reasonably incurred and directly attributable to a Change Compensation Event, excluding all Agreed Margins, other preliminaries and Design Base Costs.

D&C Margin means:

- (a) the percentage for the “D&C Margin” that the Operator may charge in accordance with Table 1 in section 4; or
- (b) in circumstances where the Operator does not undertake the required works, the percentage that the subcontractor carrying out the works may charge as determined through a competitive tender process in accordance with section 8,

to cover all off-site overheads and administrative, corporate and other like costs and profits of the Operator or other subcontractor (as applicable) carrying out the works, but excludes D&C Preliminaries and D&C Base Costs.

D&C Preliminaries means the percentage that the Operator may charge for “D&C Preliminaries” in accordance with Table 1 in section 4 or, in circumstances where the Operator does not undertake the required works, the percentage that the subcontractor carrying out the works may charge as determined through a competitive tender process in accordance with section 8, to cover all on-site overheads (including, without limitation, overheads for staffing and management resources, facilities management and running costs, safety equipment, small tools, provision of additional bonding and training and social inclusion commitment costs) and other like costs.

Design Base Costs means the actual third party design fees properly and reasonably incurred or which will be properly and reasonably incurred, including architects’ , engineers’ and other design consultants’ fees, and directly attributable to a Change Compensation Event but excluding all Agreed Margins other than the Margin of the relevant third party design consultant.

Margin means an amount on account of off-site overheads and administrative, corporate and other like costs and profit.

O&M Base Costs means the actual costs properly and reasonably incurred or costs which will be properly and reasonably incurred by the Operator or any other subcontractors (as the case may be) carrying out non-capital works or activities and directly attributable to a Change Compensation Event including warranty costs, lifecycle costs and access costs, but excluding the O&M Margin.

O&M Margin means the percentage that the Operator or any other subcontractor may charge in accordance with Table 2 in section 4, on its O&M Base Costs, to cover all off-site and on-site overheads and administrative, corporate and other like costs and profits of the Operator or that other subcontractor.

Projected Revenue means the projected actual revenue to be derived by the Company and the Trustee in connection with the Link as projected in the Financial Model.

Savings means the amount of any costs, including any Agreed Margins or other Margin, avoided or otherwise reduced in accordance with this Exhibit arising in connection with a Change Compensation Event.

WGT Base Costs means the actual costs properly and reasonably incurred or which will be properly and reasonably incurred by WGT Co or any subcontractor of WGT Co carrying out non-capital works or activities in respect of the WGT Project and during the period of time that the Change Compensation Event is being implemented which are directly attributable to the Change Compensation Event or as a consequence of the Change Compensation Event, including warranty costs, lifecycle costs and access costs, but excluding any WGT Revenue Impact.

WGT O&M Activities means all things and tasks which WGT Co is required to carry out to discharge its operation, maintenance, repair and tolling obligations in accordance with the WGT Project Agreement.

WGT Revenue Impact means the effect on actual West Gate Tunnel toll revenue of implementing a traffic measure on the West Gate Tunnel:

- (a) during the period of time that the Variation Order is implemented; and
- (b) as a direct result of a Variation Order.

2. Change Compensation Event

Change Compensation Event	Clause of this Deed	Compensation to be calculated in accordance with the following sections or other provisions of this Agreement as identified
Variation Order	Clause 7.16 (other than a Variation referred to in clause 7.16(l))	Sections 3, 4, 5, 6 and 7.
Final Refurbishment Works	Clause 3.4A(g)	Sections 3 and 4.

3. Methodology for calculating compensation

Subject to sections 4 to 7 and the specific requirements otherwise set out in this Deed including this Exhibit, the Company's or the Trustee's (as the case may be) entitlement to compensation in respect of a Change Compensation Event will be calculated as follows:

$$P = C - D + H - K + M$$

where:

P = the amount payable to the Company or the Trustee (as the case may be), where this is a positive amount, or the amount payable by Company or the Trustee (as the case may be), where this is a negative amount;

C = the amount of any Base Costs plus Agreed Margins or other Margins plus administrative and overhead costs calculated in accordance with section 4;

D = Savings;

H = the adverse revenue impact calculated in accordance with section 5;

K = the positive revenue impact calculated in accordance with section 6; and

M = the WGT Revenue Impact, calculated in accordance with section 7.

The Agreed Margins or other Margin included in the calculation of D in the foregoing formula must be no less than the Allowance which would have applied to the relevant avoided costs if those costs were Base Costs or other Costs in respect of which the Agreed Margins or other Margin would have applied.

4. Calculation of Base Cost, Agreed Margins and administrative overheads costs

- (a) **(Capital component):** For a Change Compensation Event that involves a capital component, the Base Costs, Agreed Margins and administrative and overhead costs for the capital cost component shall be calculated as:

$$A + B + C + D + E + F$$

Where:

A = the Design Base Costs;

B = the D&C Base Costs;

C = the applicable preliminaries multiplied by B, being the applicable Preliminaries (set out in Table 1) where the Operator undertakes the works, or in circumstances where the Operator does not undertake the works, the percentage that the subcontractor carrying out the works may charge to cover all on-site overheads and other like costs as determined through a competitive process in accordance with section 8;

D = the applicable margin multiplied by the sum of B and C, being the applicable D&C Margin (set out in Table 1) where the Operator undertakes the works, or in circumstances where the Operator does not undertake the works, the percentage that the subcontractor carrying out the works may charge as determined through a competitive process in accordance with section 8;

E = any other Base Costs (other than A, B and any O&M Base Costs) necessary to undertake the Change Compensation Event; and

F = any administrative and overhead costs (excluding permanent Company or Trustee (as the case may be) employees) reasonably and properly incurred by the Company or the Trustee in administering the Change Compensation Event.

Table 1

Column 1	Column 2	Column 3	Column 4
Threshold	\$0 to \$10m	>\$10m to \$50m	>\$50m
	Base Cost ¹	Base Cost ¹	Base Cost ¹
Component	Allowance	Allowance	Allowance
D&C Margin	11.88%	11.88%	11.88%
D&C Preliminaries	18%	18%	18%
¹ The above dollar thresholds are as at WGT Financial Close and will be escalated by reference to CPI thereafter.			

- (b) **(Non-capital cost component):** For a Change Compensation Event which impacts on the cost of maintaining, operating and repairing the Link, the O&M Base Costs, the Bureau System Costs, the other Base Costs, the Agreed Margin and the administrative and overhead costs in respect only of those non-capital costs shall be calculated as:

$$A + B + D + E + F$$

Where:

- A =** the O&M Base Costs;
- B =** the applicable O&M Margin (set out in Table 2) multiplied by A;
- D =** the Bureau System Costs;
- E =** any other Base Costs (other than Design Base Costs and D&C Base Costs) necessary to undertake the Change Compensation Event; and
- F =** any administrative and overhead costs ([excluding permanent Company or Trustee (as the case may be) employees]) reasonably and properly incurred by the Company or the Trustee in administering the Change Compensation Event.

Table 2

Column 1	Column 2	Column 3	Column 4
Threshold	\$0 to \$0.1m per annum Base Cost ¹	>\$0.1m to \$1m per annum Base Cost ¹	>\$1m per annum Base Cost ¹
Component	Allowance	Allowance	Allowance
O&M Margin	10%	10%	10%
<i>¹The above dollar thresholds are as at WGT Financial Close and will be escalated by reference to CPI thereafter.</i>			

5. Compensation for adverse revenue impact

In respect of a Variation that has or will result in a decrease in Projected Revenue over the Concession Period, the Company or the Trustee (as the case may be) will be entitled to payment of an amount equal to:

- (a) the Projected Revenue immediately before the State issued the Variation Order (which will be determined using the Financial Model agreed prior to the relevant Variation Order); minus
- (b) the Projected Revenue immediately after the State issued the Variation Order (which will be determined using the Financial Model as updated for the relevant Variation Order).

6. Compensation for positive revenue impact

In respect of a Variation that has or will result in an increase in Projected Revenue over the Concession Period, the State will be entitled to payment of an amount equal to 50% of:

- (a) the Projected Revenue immediately after the State issued the Variation Order (which will be determined using the Financial Model agreed prior to the relevant Variation Order); minus
- (b) the Projected Revenue immediately before the State issued the Variation Order (which will be determined using the Financial Model agreed prior to the relevant Variation Order).

7. WGT Revenue Impact

- (a) **(WGT Revenue Impact):** The parties acknowledge and agree that any WGT Revenue Impact will be agreed or determined in accordance with this section 7.
- (b) **(Negotiation in respect of WGT Revenue Impact):** Once the implementation of a Variation Order has come to an end, or if the implementation of the Variation continues beyond a period of 6 months:
 - (i) the Company or Trustee may give the State a notice within 10 Business Days:
 - A. after the implementation of the Variation Order has come to an end; or
 - B. if the implementation of the Variation Order continues beyond a period of 6 months, at any time after each interval of 6 months since the commencement of the implementation of the Variation Order has elapsed (provided that such notice will not be given more than twice in any 12 month period),

setting out the Company or Trustee's calculation of the WGT Revenue Impact; and
 - (ii) provided that the Company or the Trustee has given the State a notice in accordance with section 7(b)(i), the parties must meet and negotiate in good faith to agree the WGT Revenue Impact within 15 Business Days after the State receives the Company or Trustee's notice.
- (c) **(Dispute):** If the parties are not able to agree all or any part of the WGT Revenue Impact within the time period specified in section 7(b)(ii), the Company or Trustee may refer the matter for resolution in accordance with Article 16 of this Deed, in which case the disputed WGT Revenue Impact payable by the State shall be the lower of:
 - (i) the amount of WGT Revenue Impact set out in the notice given in accordance with section 7(b)(i); and
 - (ii) the amount determined in accordance with Article 16 of this Deed.
- (d) **(No claim)** The Company and the Trustee will not be entitled to claim (and must procure that Project Co does not claim) any WGT Revenue Impact to the extent that the Company, the Trustee or Project Co are entitled to recover any WGT Revenue Impact from a subcontractor.
- (e) **(Sole remedy):** The Company and Trustee's entitlements under this section 7 constitute their sole and exclusive remedy to recover West Gate Tunnel revenue losses arising in respect of any WGT Revenue Impact.

8. Payment for Modification Quotes

If clause 7.16(g) of this Deed applies, the State must pay to the Company or the Trustee the third party costs calculated in accordance with this Exhibit up to the amount quoted by the Company or Trustee in accordance with clause 7.16(g)(ii) of this Deed for the preparation of the Variation Quote:

- (a) **(no State Modification Order):** if the State does not issue a Variation Order, within 20 Business Days of receiving an invoice from Company or the Trustee for

such third party costs provided that the relevant Variation Quote has been prepared and submitted in accordance with this Deed; or

- (b) **(State Modification Order)**: if the State does issue a Variation Order, as part of the amount payable by the State for the Variation (including taking into account any Savings).

9. General

9.1 General principles for calculating compensation

- (a) Compensation in respect of a Change Compensation Event will be determined as follows:
- (i) **(overriding considerations)**: the overriding considerations will be that:
 - A. the State is receiving value for money; and
 - B. the compensation amount is fair and reasonable and is calculated in a manner that is transparent;
 - (ii) **(timing of payments)**: all payments made in accordance with this Exhibit will be made in accordance with section 9.2;
 - (iii) **(time value of money)**:
 - A. appropriate regard must be given to the time value of money and timing of cash flows; and
 - B. all cash flows must be discounted or inflated to reflect when they occur (if applicable) using, unless otherwise specified, pre-tax discount rate equal to the Project Return as set out in worksheet Cdef in the Reference Financial Model;
 - (iv) **(open book basis)**:
 - A. the Company or the Trustee (as the case may be) must:
 - 1) provide all information referred to in this Exhibit on an open book basis, in accordance with this section 9.1(a)(iv)B;
 - 2) if required by the State, make available the appropriate personnel to explain the basis on which a particular calculation has been made; and
 - 3) allow the State to review and undertake reasonable audits to enable it to verify compliance with this section 9.1(a)(iv) in respect of the information referred to in section 9.1(a)(iv)A.1),

in order to enable the State to make an accurate assessment of actual Costs and Savings in accordance with this Exhibit; and
 - B. "open book basis" will include the Company or the Trustee (as the case may be) providing a breakdown of the calculation of all relevant preliminaries, labour, equipment, materials, subcontract, finance and other costs and Margins of the Company or the Trustee in a clear and transparent manner

and other information reasonably requested by the State including reasonably available source documents required to verify such calculation;

- (v) **(no double counting)**: no amounts will be double counted; and
- (vi) **(margins)**: except as expressly provided for in section 4, the State will not pay or otherwise compensate the Company or the Trustee (as the case may be) for any Margin (or loss of Margin) in respect of a Change Compensation Event.

9.2 Form and timing of compensation

- (a) **(Form of compensation)**: If a Change Compensation Event results in an amount owing from the State to the Company or the Trustee (as the case may be), the State may elect to:
 - (i) pay such amount in accordance with this section 9.2; or
 - (ii) require that the parties negotiate in good faith an alternative form of redress, which may include:
 - A. varying the Project Documents;
 - B. varying the Concession Period;
 - C. varying the Toll Calculation Schedule; or
 - D. taking such other action as the parties may agree,provided that if the parties are unable to agree an alternative form of redress within a reasonable period of time, having regard to the Company's and Trustee's cashflow immediately after the Change Compensation Event, the State will, without limiting its rights under clause 7.16 of this Deed, pay the relevant amount owing in accordance with section 9.2(a)(i).
- (b) **(Payment of Compensation)**: If a Change Compensation Event results in an amount owing from:
 - (i) the Company or the Trustee (as the case may be) to the State:
 - A. subject to section 9.2(b)(i)B, such amount will be a debt due and payable by the Company or the Trustee (as the case may be) to the State; and
 - B. to the extent that the amount that is due and payable to the State includes an amount calculated in accordance with section 6 (being the **State Amount**), and the Company or the Trustee (as the case may be) is not in a position to pay the State Amount and satisfy all Project operating costs and expenses then due and payable by it, the first date thereafter on which the Company or the Trustee is able to satisfy all Project operating costs and expenses then due and payable by it;
 - (ii) the State to the Company or the Trustee (as the case may be) and:
 - A. the State has elected to pay the amount owing; and

B. the amount owing is not financed by the Company or the Trustee (as the case may be) in accordance with section 9.2(c),

the State will pay such amount to the Company or the Trustee

C. in accordance with the payment arrangements set out in the Variation Order or as otherwise agreed between the parties (which could include a lump sum payment, monthly payment in arrears, a series of milestone payments (or a combination of these methods)) and, if applicable, section 9.2(d); and

D. in respect of any WGT Revenue Impact, within 1 month after the parties agree the WGT Revenue Impact under section 7(b)(ii) of this Exhibit except to the extent that any part of a claim for WGT Revenue Impact is referred for resolution in accordance with clauses Article 16 of this Deed under section 7(c) of this Exhibit; or

(iii) the State to the Company or the Trustee (as the case may be) that is financed by the Company or the Trustee in accordance with section 9.2(c), the State will pay such amount to the Company or the Trustee by way of an agreed set of payments reflecting the amount and tenor of any financing costs incurred.

(c) **(Funding):** Where the State requests the Company or the Trustee (as the case may be) to obtain funding for a Change Compensation Event, the Company or the Trustee must use all reasonable endeavours to obtain such funding, including by:

(i) using any Savings resulting from other Change Compensation Event;

(ii) arranging for additional funding under the Lending Documents and from other sources (if permitted under the Lending Documents); and

(iii) arranging other funding obtained on commercial terms for the Company or the Trustee (as the case may be) by the State (without any obligation on the State to make any such arrangements and only if permitted under the Lending Documents and on terms reasonably acceptable to the Company or the Trustee (as the case may be)).

Where the Company or the Trustee (as the case may be), having used all reasonable endeavours, is:

(iv) unable to obtain funding that is on terms which are satisfactory to the State, the State will, without limiting its rights under this Deed, pay the relevant amounts in accordance with section 9.2(b); or

(v) able to obtain funding that is on terms which are satisfactory to the State, the parties must negotiate in good faith the treatment of such funding as Project Debt and Project Securities under this Deed. Neither the Company nor the Trustee is obliged to obtain any funding unless the treatment of the funding is agreed by the parties.

(d) **(Lump Sum Payments):** If:

(i) a Variation Order results in an amount owing from the State to the Company or the Trustee (as the case may be); and

(ii) the State's payment to the Company or the Trustee of an amount calculated in accordance with this Exhibit will be a lump sum payment,

the State will pay such amount to the Company or the Trustee when the following requirements have been satisfied:

- (iii) if the State requires certification of any works required as a result of the Variation by a suitably qualified independent reviewer, upon such certification that the Variation has been completed in accordance with the relevant Variation Order and this Deed; or
- (iv) otherwise as a debt due and payable,

and within 60 days after receiving a valid Tax Invoice from the Company or the Trustee for the amount calculated in accordance with this Exhibit.

10. Tender process

- (a) **(Conduct of the tender process):** Subject to section 10(g), if the Company or the Trustee (as the case may be) is required to carry out a tender process under clause 7.16(f) of this Deed, the Company or the Trustee (as the case may be) must:
 - (i) obtain three separate quotes (or such lesser number of quotes as directed by the State) from experienced, independent and capable contractors which are acceptable to the State (acting reasonably) to carry out the work in respect of the relevant Variation; and
 - (ii) must conduct the tender process in accordance with best industry practices.
- (b) **(Selection):** The Company or the Trustee (as the case may be) will be responsible for selecting a subcontractor from this process in consultation with (and subject to the prior agreement of) the State.
- (c) **(Tender process material):** The Company or the Trustee (as the case may be) must permit the State to review all materials that are submitted in the tender process and provide any other information that the State reasonably requires.
- (d) **(Selection criteria):** The Company or the Trustee (as the case may be) must demonstrate, to the reasonable satisfaction of the State, that the subcontractor it intends to select is the best choice having regard to:
 - (i) the price quoted in the prevailing market conditions;
 - (ii) the experience and capability of that subcontractor in the context of the relevant Variation; and
 - (iii) the ability of the subcontractor to carry out the work in respect of the Variation in the manner required by this Deed including the Project Scope and Technical Requirements.
- (e) **(Effect of tender process):** Subject to section 10(f), the Company or the Trustee (as the case may be) must, within 10 Business Days of the outcome of the tender process, amend its Variation Quote and submit it to the State.
- (f) **(State not satisfied):** If, following the conduct of the tender process, the State is not reasonably satisfied as to the matters described in section 10(d), or that the tender process has not been conducted in accordance with best industry practice, it may:
 - (i) direct the Company or the Trustee (as the case may be) not to accept any tender;

- (ii) otherwise instruct the Company or the Trustee (as the case may be) not to proceed with the work in respect of the relevant Variation; or
 - (iii) instruct the Company or the Trustee (as the case may be) to proceed with the work in respect of the relevant Variation, but on another basis under this Exhibit.
- (g) **(No tender):** The State cannot require the Company or the Trustee (as the case may be) to conduct a tender process in accordance with this section 10 in respect of:
- (i) the Tolling System;
 - (ii) Central Computer Control Systems (CCCS) (as defined in the Project Scope and Technical Requirements);
 - (iii) the essential fire and life safety systems within the CityLink tunnels;
 - (iv) any proprietary software system; and
 - (v) any other system, sub-system or item of technology which the parties agree is part of an integrated end-to-end solution for operating, maintaining or tolling the Link (acting reasonably and having regard to the risk that utilising a contractor procured through tender could result in a loss of functionality of the relevant system, sub-system or item of technology).

11. Dispute resolution

If the Company or the Trustee refer a matter for resolution under clause 3.4A(h) or 7.16(c) of this Deed:

- (a) **(Base Costs):** the Base Costs calculated in item C of section 4 shall be the lower of:
 - (i) the amount claimed by the Company or the Trustee (as the case may be) in accordance with this Exhibit; and
 - (ii) the amount determined in accordance with Article 16 of this Deed;
- (b) **(Savings):** the Savings calculated in item D of section 3 shall be the higher of:
 - (i) the amount claimed by the Company or the Trustee (as the case may be) in accordance with this Exhibit; and
 - (ii) the amount determined in accordance with Article 16 of this Deed;
- (c) **(adverse revenue impact):** the revenue calculated in section 5 shall be the lower of:
 - (i) the amount claimed by the Company or the Trustee (as the case may be) in accordance with this Exhibit; and
 - (ii) the amount determined in accordance with Article 16 of this Deed; and
- (d) **(positive revenue impact):** the revenue calculated in section 6 shall be the higher of:
 - (i) the amount claimed by the Company or the Trustee (as the case may be) in accordance with this Exhibit; and

- (ii) the amount determined in accordance with Article 16 of this Deed.

12. Warranties

All Variation Quotes must:

- (a) **(Warranty)**: contain a warranty by the Company or the Trustee (as the case may be) that the Variation when implemented will:
 - (i) enable the Link to meet, and continue to satisfy throughout the Concession Period, the requirements of this Deed including the Project Scope and Technical Requirements except to the extent that it is agreed or determined in accordance with the Variation Order; and
 - (ii) enable the Company and the Trustee at all times to carry out the maintenance, operation and repair of the Link in accordance with the Project Scope and Technical Requirements and to comply with the terms of this Deed, except to the extent that it is agreed or determined in accordance with the Variation Order,

in each case, without limiting the warranties given by the Company or the Trustee in other clauses of this Deed, except to the extent that it is agreed or determined in accordance with the Variation Order; and

- (b) **(Bona fide)**: contain a warranty by the Company or the Trustee (as the case may be) that it is satisfied that the Claim the subject of the Variation Quote is bona fide and the compensation sought is an accurate reflection of the Company or the Trustee entitlement under this Deed to the extent it is able to be known at the time.