

Appendix one – How do underperformance and outperformance payments work?

In AMP7 we have agreed to deliver 46 different performance commitments. Each performance commitment is based on what matters to customers and stakeholders and will mean that we need to improve the level of service we provide. Each of these commitments has an incentive placed against the performance targets. For some performance commitments we can earn an outperformance payment (or reward) for great performance or have to pay an underperformance payment (a penalty) if we don't perform well. Outperformance and underperformance payments will be reflected in customers' bills. Some commitments have no financial incentive but can have a positive or negative effect on our reputation. The table below shows the different types of incentives.

Incentive	Description
Underperformance	If our performance is worse than our target or deadband level (see below), we will pay an underperformance payment.
Outperformance	If our performance is better than our target or deadband level, we will receive an outperformance payment.
Non-financial	Although we will not pay any underperformance payments or receive any outperformance payments for this type of incentive, poor performance could damage our reputation, while good performance could improve our reputation.

Note: A deadband is a buffer which means we don't pay a penalty or receive a reward as soon as we beat or fail targets. This helps make sure that we receive rewards for great performance and that we are not penalised for small underperformances which might be beyond our control.

