ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

“ASIC Regulatory Guide 231 – Infrastructure entities: Improving disclosure for retail investors” has set out the following disclosure principles for infrastructure entities. An overview of the disclosure principles and the ALX response is set out below.

Disclosure Principle	ALX Statement and Explanation
1. Key relationships	
Disclose	
a) The important relationships for the entity and any other related party arrangements relevant to an investor’s investment decision, including any controlling arrangements, special voting rights or director appointment rights; and	a) As outlined on the ALX website, ALX is an externally managed structure subject to the Internalisation Proposal approved by MQA securityholders at the 2018 Annual General Meeting. The key decision making bodies for ALX are the boards of ATLAX and ATLIX whose directors are elected by shareholders on a 3 year rotational basis. The ALX Manager makes recommendations to the boards in respect of investments/divestments and key operational matters but the boards of ATLAX and ATLIX are not obliged to accept those recommendations and the management arrangements with the ALX Manager are non-exclusive. Staff working for ALX who are Macquarie employees are provided through formal resourcing arrangements at the expense of Macquarie. At the discretion of ALX, Macquarie entities may be appointed on market terms at the parent or asset level as financial advisor for acquisitions/divestments and to provide other investment banking services such as advising on and managing equity and debt raisings, broking and hedging. More detail in respect of the important relationships described above are set out in the Legal framework and management arrangement sections on the ALX website.

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b) For any significant infrastructure asset under development: i). Key relationships in the development, including any concessionaire, developer, builder, sponsor, promoter, asset manager, independent expert, financier, joint venture party, issuer or manager; and ii). Key participants that bear material development related risks, including for timing and cost of delivery of the development, procurement and cost of financing for the development, and guaranteeing the performance of other entities.	b) Paragraph (b) is not applicable to ALX because it has no assets under development.
2. Management and performance fees Disclose a) All fees and related costs associated with the management of the entity's assets paid or payable directly or indirectly out of the money invested in the entity, providing a clear justification for the fees; and b) If performance fees are payable, how these fees will be paid – for example: • *for mature operating infrastructure assets* – explain if and how the performance fees will be paid, including whether these fees are payable only from operating cash flow; and • *for operating infrastructure assets in a growth phase and development assets* – explain how the performance fees will be paid, whether these fees are funded by debt, capital, the issue of securities or otherwise, and the risks to members in paying performance fees in those way.	All fees and costs paid or payable in connection with the management of ALX are set out in the ALX Annual Report and the ALX Financial Report. Under the terms of the ALX Management Agreements, the ALX Manager is entitled to base management and performance fees for providing investment management/advisory services, subject to the Internalisation Proposal approved by MQA securityholders at the 2018 Annual General Meeting. Base management and performance fees are calculated in accordance with defined formulae set out in the ALX Management Agreements. The management fee structure is linked to market performance and, in the case of performance fees, ongoing outperformance of an external benchmark. The base management fee rate payable by ALX is 0.85% per annum for all market capitalisations. 'Market Value' at the end of a Calendar Quarter means the aggregate of the market value of the ALX securities calculated on the basis of the average number of ALX

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	securities on issue during the last 10 trading days of the ASX in the relevant Calendar Quarter multiplied by the volume weighted average price (VWAP) of all ALX securities traded on the ASX over those 10 trading days. The quantum of the fee therefore varies with the market price of ALX securities. A performance fee is payable in the event that the ALX accumulation index outperforms the S&P/ASX 300 Industrials Accumulation index for the year with any deficits from previous periods to be made up before a performance fee is paid. In accordance with the Internalisation Proposal approved by MQA securityholders at the 2018 Annual General Meeting, the final performance fee calculation will be at 30 June 2018. The performance fee is calculated as 15% of the dollar amount of the outperformance for the period. On 15 May 2018 the Internalisation Proposal was approved by ALX securityholders with the following fees to Macquarie: • a final performance fee will be calculated for the year ending 30 June 2018 and, if earned, will be paid in full at that time; • the third instalment of the 2016 performance fee and the second instalment of the 2017 performance fee will continue to be subject to their respective performance hurdles which, in accordance with the current agreement, will be tested on 30 June 2018; and • as a result of the termination of the MQA management agreements being no later than 15 May 2019, the third instalment of the 2017 performance fee will become payable without further performance testing.

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3. Related party transactions Disclose details of any related party arrangements relevant to the investment decision, including a) The value of the financial benefit / consideration payable; b) The nature of the relationship; c) Whether the arrangement is on arm's length terms, the remuneration is reasonable, some other Chapter 2E exception applies or ASIC has granted relief; d) Whether member approval of the transaction has been sought and if so when; e) The risks associated with the related party arrangement; f) The policies and procedures in place for entering into these arrangements and how compliance with those policies and procedures is monitored; g) For management agreements with related parties: i). The term of the agreement; ii). If the fee is payable by the infrastructure entity on termination of the agreement, the method of termination that will incur a fee and details on how that fee is calculated; iii). Any exclusivity arrangements in the management agreement; iv). Whether a copy of agreement is available to investors and, if so, how an investor can obtain a copy of the agreement; and	There are no such related party arrangements in place. There are arrangements in place with Macquarie as described in Disclosure Principle 1 but it should be noted that Macquarie and its managed funds are not related parties of ALX for the purposes of the Corporations Act or the ASX Listing Rules as ALX is not controlled by Macquarie. The management arrangements are discretionary, with the elected ATLAX and ATLIX boards making all key decisions. Nevertheless, there is an appropriate protocol in place for transactions with Macquarie as outlined in ALX Management Agreements, which requires transactions with or services provided by Macquarie or its affiliates must be on arm's length terms and approved by the ALX independent directors. Any risks of these arrangements not being at market are managed through the terms of any such transactions or services and any benefits or fees to be paid being benchmarked to market or independently reviewed/valued by an external expert. Generally, the services provided by Macquarie to ALX are transactional banking, hedging services and financial advisory services. Other Macquarie businesses and managed funds may participate in asset level bond issues or secondary trading in asset debt from time to time on the same basis as other participants. Other Macquarie managed funds are co-investors with ALX in some of its assets. Any fees paid by ALX at the parent level for Macquarie services are disclosed in the ALX financial statements. Compliance with the above protocol is monitored by the ALX Compliance Manager. Refer to the Legal framework and management arrangement section on the ALX website for more detail in respect of the management of related party transactions

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v). any other arrangements that have the potential or actual effect of entrenching the existing management; and	and the related parties note in the ALX Financial Report.
h) For transactions with related parties involving a significant infrastructure asset; i). What steps the infrastructure entity took to evaluate the transaction; and ii). If not otherwise disclosed, summary of any independent expert opinion obtained for the transaction and whether, and if so how, an investor can obtain a copy of the opinion.	There is also detailed disclosure of the ALX management arrangements in the form required by the ASX in the ALX Annual Report. The ATLAX Constitution, ATLIX Bye-Laws and the ALX Management Agreements can be accessed on the ALX website. On 9 April 2018 an agreement to internalise management was announced between ALX and Macquarie. Further details can found on the ALX website. There are change of control provisions in some asset level shareholder agreements as set out below. ➢ APRR (a French toll road network) – ALX owns approximately 25.0% of the asset with the other co investors being Macquarie-managed funds (~8.1%), third party funds (~16.9%) and Eiffage SA, a French construction group (50%). Macquarie Group is the manager of a vehicle called Macquarie Autoroutes de France 2 SA (MAF2) through which ALX, the other Macquarie-managed and third party funds hold their combined 50%. When ALX ceases to be managed by Macquarie, annual fees totalling approx. EUR7.4m will become payable by ALX for the provision of Macquarie's management services to MAF2. Performance fees (with the components comprising the calculation rebased as if starting anew as at the date of such change) may also become payable in respect of the future performance of the asset. Additionally, under the event that Macquarie was terminated as manager of MAF2 (which requires an 85% MAF2 shareholder resolution), and if MAF2 were no longer at least 50% owned by Macquarie managed entities, then loss of certain governance rights in Financiere Eiffarie SAS (the Eiffage-Macquarie consortium vehicle) would follow, and Eiffage would be entitled to purchase all of MAF2's interest in Financiere Eiffarie at fair market value.

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4. Financial ratios Disclose a) If target financial ratios have been publicly disclosed, the respective financial ratios actually achieved for the entity and how those target and actual ratios are calculated; and b) An explanation of what the financial ratios mean in practical terms and how investors can use the ratios to determine the entity's level of debt-related risk.	ALX does not publicly disclose target financial ratios.
5. Capital expenditure and debt maturities Disclose a) Planned capital expenditure for the next 12 months and how this expenditure is to be funded; and b) A breakdown of material debt maturities for the entity, in the intervals set out in the table, on a consolidated contractual basis showing the drawn amount, the undrawn amount, the total drawn and undrawn amount, the percentage of variable interest rate risk, the weighted average interest rate, the percentage of debt that is not limited recourse to a particular asset and whether the debt is fully amortising or requires principal and interest payments.	a) ALX has no capital expenditure at the parent level. Any asset level capital expenditure is funded from available cash and/or debt facilities at the asset level. b) ALX discloses debt maturities in its Management Information Report which is available on the ALX Website. All asset level debt is non-recourse to ALX.

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6. Foreign exchange and interest rate hedging Disclose a) Any current foreign exchange and interest rate hedging policy for the entity; and b) Whether the entity's foreign exchange and/or variable interest rate exposure conforms with its foreign exchange and interest rate hedging policy.	ALX's policy is not to hedge the value of its overseas investments or its forecast distribution stream. In relation to interest rates, each asset has its own interest rate hedging policy which is generally aligned to the asset debt documents. ALX's foreign exchange and/or variable interest rate exposure currently conforms to this policy.
7. Base case financial model Disclose a) For acquisitions of a significant infrastructure asset, the following details of an infrastructure entity's base case financial model: i). Key assumptions and source of those assumptions; ii). A confirmation by the directors as to whether or not they consider that the assumptions are reasonable; iii). Any process the directors undertook to satisfy themselves that the assumptions were reasonable, including if an expert provided an opinion on the model, and if so, provide a summary of that expert opinion; iv). The agreed upon procedures check that the assurance practitioner has performed to review the base-case financial model (as per benchmark 6) and any findings which are materially relevant to the investment decision; and v). Any conflicts of interest that may arise in either the expert opinion or the agreed-upon procedures check.	a) Not applicable as ALX's portfolio of assets is derived from a restructure of Macquarie Infrastructure Group in 2010 into two new investment vehicles, Intoll Group and MQA (now ALX). Since establishment ALX has not acquired any new significant infrastructure assets (it has solely acquired an additional stake in an existing asset by exercising a pre-emptive right).

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b) Up to five of the key assumptions in an infrastructure entity's base case financial model that are likely to have the most material impact: i). On the operating performance of the entity for at least the next 12 months; or ii). In the case of a development asset, in the first year of operation, demonstrating the impact on the infrastructure and investor entity, if any (and separately if all) of the assumptions were materially less favourable than anticipated.	b) The five key assumptions for ALX's base case financial model that are likely to have the most material impact on the operating performance of ALX for at least the next 12 months are: i). Traffic volumes at each of the assets it owns. ii). Toll prices at each of the assets it owns and the impact that this has on revenues. iii). Foreign exchange rates across the areas that ALX does business. iv). Refinancing/restructuring assumptions for the debt contained within ALX's assets. v). Forecast market capitalisation of ALX and its impact on management fees paid.
c) Also disclose: i). A reasonable estimate of the operating capacity of the entity's significant infrastructure assets; ii). For any operating asset developed by the infrastructure entity or completed immediately before the infrastructure entity's ownership, any material discrepancies between any publicly disclosed forecasts and the actual performance for the first 2 years of operation; and iii). Any material discrepancies between the assumptions contained in the infrastructure entity's base case financial model used to raise any debt and the model used to raise any equity, respectively, within six months of each other in the current financial year.	c) i). ALX publishes quarterly traffic and revenue statistics for the assets in which it has a beneficial interest and these are available on the **ALX website**. An estimate of the operating capacity of ALX's significant infrastructure asset is not possible due to its size: APRR is a 2,323 kilometre motorway network. ii). Not applicable as ALX has not developed any assets. iii). Not applicable.

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8. Valuations Disclose a) Details on the entity's valuation policy; and b) Whether valuations and supporting documentation are available to investors and, if so, how they are made available. If valuations and supporting documentation are not available to investors, the infrastructure entity should provide a summary of the valuations (required for significant infrastructure assets only) containing, at a minimum, the following information: i). Whether the valuation was prepared internally or externally; ii). The date of the valuation; iii). The scope of the valuation and any limitations on the scope; iv). The purpose of the valuation; v). The value assessed and key assumptions used to determine value; vi). The key risks specific to the infrastructure assets being valued; vii). The valuation methodology; viii). The period of any forecast and terminal value assumptions; ix). The discount rate used and the basis for calculating this rate; and x). The income capital expenditure and capital growth rates over the forecast period; and c) Any circumstances that may result in a conflict of interest arising in the preparation of the valuations.	Neither the ASIC regulatory guide nor the accounting standards require ALX to produce market valuations of its assets or to record them in the Group's financial statements. Accordingly ALX does not produce market valuations of its assets and has no market valuation policy. ALX also does not raise debt or equity based on the market value of its assets. ALX conducts calculations for the specific purpose of testing for the impairment of assets at financial year end as required under Australian accounting standards and also prepares limited discounted cash flow projections for the purposes of allocating costs. These specific purpose calculations do not reflect market valuations and may produce substantially different results to the industry practice for arm's length market valuations. ALX believes that to release the internal calculations or any information in respect of the internal calculations would be potentially misleading to investors and would not benefit their decision making in respect of an investment in ALX. ALX would make the additional disclosures required under this principle should it decide to perform and publish a market value valuation of its assets.

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9. Distribution policy Disclose a) The current distribution policy and any rights that the entity has to change the policy; b) On payment of distributions, the portion attributable to, for example, income, capital and debt; and c) The risks associated with distributions being paid from sources other than operating cash flow, including the sustainability of such distributions.	ALX commenced the payment of distributions in 2013. Distributions are paid out of cash flow derived from ALX's assets after addressing corporate requirements. To date, ALX's distributions have comprised foreign sourced income and capital returns.
10. Withdrawal policy Disclose Whether there is a withdrawal policy together with the information outlined in Disclosure Principle 10 in relation to the withdrawal arrangements.	Not applicable to ALX as it only applies to infrastructure entities that are unlisted trusts.

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11. Portfolio diversification	
Disclose a) Details on whether the infrastructure entity has a portfolio diversification policy and, if so, details of that policy; b) The infrastructure entity's actual portfolio diversification position compared to its portfolio diversification policy; and c) if there is a material variance between the entity's diversification policy and its actual position, an explanation of why the variance exists and the measures being taken to rectify it.	ALX does not have a portfolio diversification policy. ALX's portfolio is the result of a reorganisation of Macquarie Infrastructure Group in 2010 into two new investment vehicles, Intoll Group and MQA (now ALX). ALX's portfolio has the following characteristics: • a global portfolio, with assets in France, USA and Germany; • a mixture of market based and scheduled toll increases providing revenue growth; and • majority of portfolio value attributed to ALX's key assets, APRR and Dulles Greenway. While ALX remains focused on delivering growth in the value of its existing portfolio of toll road investments, ALX is open to considering accretive opportunities on a disciplined and selective basis.