

Macquarie Atlas Roads Corporate Governance Statement

2017

Corporate Governance Statement

This statement outlines the key aspects of Macquarie Atlas Roads' (**MQA**) corporate governance framework and main governance practices, and describes the arrangements under the current MQA Management Agreements, as described below.

In November 2017, the MQA Boards announced that they had decided to pursue an internalisation of MQA management. Post the announcement, the MQA Boards established independent board committees to agree the internalisation proposal (**Internalisation Proposal**) with Macquarie. On 9 April 2018 the Independent Directors announced that agreement had been reached with Macquarie on the terms of the internalisation. The Internalisation Proposal will be put to securityholders for approval at MQA's annual general meeting in May 2018.

MQA's corporate governance arrangements conform to the Corporate Governance Principles and Recommendations (3rd edition) issued by the ASX Corporate Governance Council (**ASX Principles**), taking into account MQA being an externally managed vehicle. Any relevant implications or exceptions are noted in the reporting against these principles below.

Our Corporate Governance Statement has been approved by the MQA Boards and outlines our main corporate governance practices for the year ended 31 December 2017, and currently. Copies or summaries of certain governance documents referred to in this statement can be found in the "Corporate Governance" section of our website (www.macquarieatlasroads.com). These governance documents are regularly reviewed and updated to ensure that they remain consistent with the objectives of the MQA Boards.

By way of background to our external management arrangements, MQA comprises Macquarie Atlas Roads Limited (ACN 141 075 201) (**MARL**), an Australian public company, and Macquarie Atlas

Roads International Limited (Registration No. 43828) (**MARIL**), an exempted mutual fund company incorporated in Bermuda. MQA is listed as a stapled structure on the Australian Securities Exchange (**ASX**). The securities of MARL and MARIL are stapled and must trade and otherwise be dealt with together.

Management and advisory agreements (**MQA Management Agreements**) with Macquarie Fund Advisers Pty Limited (ABN 84 127 735 960) (AFS Licence Number 318123) (the **MQA Manager**) were entered into by MARL and MARIL respectively on 2 February 2010.

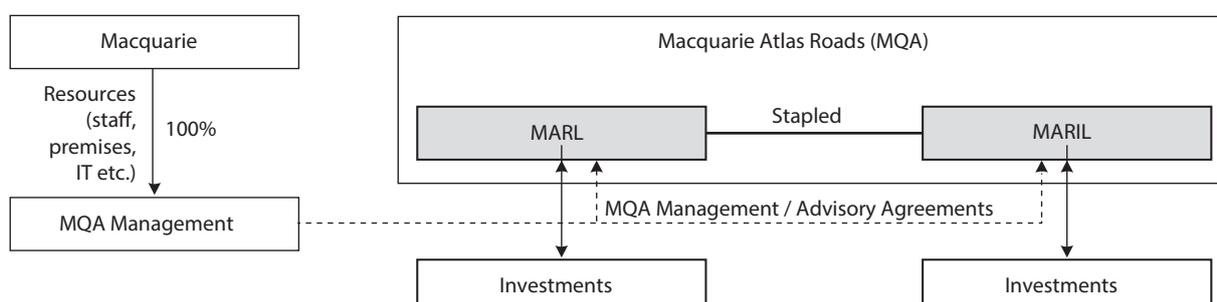
The MQA Management Agreements are non-discretionary and substantially similar in their terms. They require the MQA Manager to make investment and divestment recommendations, provide active management of the MQA assets and assist with the general administration of the companies. As MARL and MARIL have no employed staff of their own, the MQA Manager also makes staff available as part of its management services, to perform the roles of MQA Chief Executive Officer (**CEO**), Chief Financial Officer (**CFO**), Chief Operating Officer (**COO**), Head of Investor Relations and MARL Company Secretary.

Key decision making is reserved to the MARL Board and the MARIL Board (together the **MQA Boards**). The MQA Boards have no obligation to act on the recommendations of the MQA Manager and can appoint other advisers if they wish.

Detailed information in respect of the MQA structure and external management arrangements as well as the MQA constituent documents can be found in the "Corporate Governance" section of our website (www.macquarieatlasroads.com).

References to "Macquarie" throughout this statement are references to Macquarie Group Limited (**MGL**) and its affiliates.

Macquarie Atlas Roads Structure



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Entity	Type of entity	Assets (various % holdings)	Source of income
MARL	Australian public company	Dulles Greenway, Cash	MARL derives its income primarily from returns from its asset portfolio
MARIL	Bermudan exempted mutual fund company	APRR, ADELAC, Dulles Greenway, Warnow Tunnel, Cash	MARIL derives its income primarily from returns from its asset portfolio

Principle 1 Lay solid foundations for management and oversight

Relevant governance documents:

MARL and MARIL Board Charters

MQA Diversity Policy

Responsibility for corporate governance of MARL and MARIL rests with their respective Boards. Each company has adopted a formal board charter, which sets out the role and responsibilities of the Boards.

An outline of each of our Boards' responsibilities under the charters is set out below:

- Providing leadership and in conjunction with MARL or MARIL as the case may be, setting strategic objectives for MQA
 - Approving acquisitions, divestments, operating budgets and capital management activities
 - Approving annual and half yearly financial statements and Directors' Report and other material related disclosures, including the corporate governance statement
 - Monitoring the financial performance of MQA
 - Monitoring MQA's material business risks and how they are managed
 - Overseeing the process for establishing a risk management framework in respect of MQA's material business risks and operational risks and approving a risk management policy
 - Monitoring and assessing the performance of the MQA Manager under the MQA Management Agreements
 - Periodically reviewing the MQA Management Agreements
 - Monitoring and influencing MQA's corporate culture, reputation, ethical standards and legal compliance.
- In support of the above, our Boards will:
- Appoint, review the performance of and when necessary request the MQA Manager to replace the CEO, the CFO and Company Secretary in accordance with the MQA Management Agreement
 - Assess the adequacy of resources provided under, and compliance generally with the MQA Management Agreements
 - Oversee the MQA Manager's implementation of the Boards' strategic objectives, and its management of MQA generally
 - Monitor the integrity of the accounting and corporate reporting systems used by the MQA Manager for MQA financial reporting, the integrity and effectiveness of internal controls and oversee the external audit
 - Oversee the process for making timely and balanced disclosure of all other material information concerning MQA that a reasonable person would expect to have a material effect on the price or value of MQA's securities
 - Monitor implementation of MQA's risk management framework and review MQA's material risks
 - Approve key policies governing the operations of MQA
 - Oversee communications with securityholders and regulators.

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The CEO and CFO have delegated authority (through the external management arrangements and directorships on asset boards) to make decisions in respect of MARL and MARIL's day-to-day management up to certain delegated levels and day-to-day matters for asset management. Management delegations are set out in a formal delegations table which is reviewed annually by the MQA Boards.

Full Board meetings are held at least every two months for both MARL and MARIL, and other meetings are called as required. Directors are provided with Board reports in advance of Board meetings, which contain sufficient information to enable informed discussion of all agenda items.

Each new director of MARL and MARIL is provided with a letter of appointment that details the key terms of his or her appointment.

MQA's senior executives have formalised job descriptions and, as Macquarie employees, letters of appointment.

To ensure that the MQA senior executives properly perform their duties, the following procedures are in place:

- The CEO, CFO, COO, Head of Investor Relations and the MARL Company Secretary are Macquarie employees who act on behalf of MARL and MARIL pursuant to the terms of the MQA Management Agreements. Their performance is assessed by Macquarie each year as part of Macquarie's formal employee performance evaluation process. Employees are assessed against set behavioural and technical competencies. The MQA Boards annually review the performance of the CEO and MQA's senior executives, set objectives for them and provide feedback to Macquarie in respect of their performance. This was carried out for the 2017 financial year
- Reviewing the performance of the MQA Manager against its contractual obligations, with external assistance if required.

1. Board performance

To ensure that the directors of MARL and MARIL are properly performing their duties, the following procedures have been put in place:

- An annual review of each Board, its committees, each Chairman and individual directors

- A formal induction programme for directors
- Access by directors to continuing education to update and enhance their skills and knowledge.

The annual evaluation of the Boards' performance is conducted either internally through a process of questionnaires and/or face-to-face meetings and board discussion or with the assistance of an external facilitator.

The 2017 review was conducted internally given the amount of change the organisation is undertaking. It is intended to repeat an externally facilitated review once MQA management is internalised. The key priority for the MQA Boards is ensuring a seamless transition to internal management while not losing focus and momentum on the business.

Selection and Election of Directors

Each of the MQA Boards has adopted a set of guidelines that apply to director selection and nomination as well as a Board composition and membership criteria, as described in the *Appointment to the Boards* section under Principle 2 below. In addition, appropriate checks as to a person's character, experience, education, criminal record and bankruptcy history, are undertaken prior to a person's appointment or election as a director.

All material information known to MQA that is relevant to a decision on whether or not to elect or re-elect a director is included in the meeting materials for election of directors.

Company Secretary

The company secretaries of MARL and MARIL are each accountable directly to the MQA Boards, through the MARL and MARIL chairmen, on all matters to do with the proper functioning of the respective board.

2. Diversity

At MQA, we respect and value diversity in our Boards and workforce at all levels, as reflected in our diversity policy.

Macquarie makes management staff available to MQA under formal resourcing arrangements. We seek to influence diversity in the MQA group based on the principles outlined in our diversity policy:

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- At the board level through the appointment of individuals who bring diversity of thought through their business and life experiences including varied qualifications, areas of specialisation, work experience, cultural and ethnic background and gender, to name some key attributes
- At MQA management level through consultation with Macquarie. Macquarie has its own diversity policy in place which is based on similar principles to those of MQA's diversity policy
- At the businesses in which MQA invests, through MQA appointed portfolio company directors supporting the implementation of appropriate diversity policies in these businesses.

MQA Nomination and Governance Committees monitor our progress in implementing our diversity policy at the Board level, in the management team and in the workforces of our businesses and the associated reporting of progress in this area.

Board diversity

Two of the eight directors across the two MQA Boards are women, respectively the chairman of MARL and the chairman of the MARL Remuneration Committee. This constitutes 50% of the MARL Board and 20% of the MARIL Board. As detailed below under director skills and experience, the directors are from diverse backgrounds and bring a range of different skills and career experience to bear on board decision making.

Management diversity

Macquarie staff provided by Macquarie to work on MQA as part of the MQA Manager's services, are located in a number of different jurisdictions (Australia, France, Germany, India, Luxembourg, UK, USA) and have different cultural backgrounds and a diverse range of skills, values, backgrounds and experience.

The senior management team comprises the CEO, CFO, COO, Head of Investor Relations and MARL and MARIL company secretaries. Four of the seven officers are women (being the Head of Investor Relations and the three company secretaries).

Overall on a full-time equivalent basis, approximately 53% (2016: 51%) of the Manager's team working on MQA are women.

More detail in respect of the diversity in the workforces of the businesses in which we invest

and their policies aimed at promoting diversity in the workplace can be found in the sustainability section of the 2017 Annual Report and on our website at www.macquarieatlasroads.com/esr.

Principle 2 Structure the board to add value

Relevant governance documents:

MARL and MARIL Director Profiles

MARL and MARIL Nomination and Governance Committee Charters

Board composition and membership criteria are set out in each of the MARL and MARIL Board Charters. In summary the majority of directors must be independent directors, there must be an independent Chairman and the MQA Boards must comprise directors with an appropriate mix of qualifications, skills, expertise and experience appropriate for MQA's strategy. To ensure an appropriate process of Board renewal directors will generally retire after 10 years but their term can be extended if considered of significant benefit to MQA.

1. MARL Board Composition

The MARL Board comprises four directors, each with broad industry experience. Three members of the MARL Board are independent non-executive directors, and one is a non-independent non-executive director. All are resident in Australia. The MARL Board composition is in compliance with the ASX Principles and all the directors of MARL stand for re-election on a three-year rotational basis as required by the ASX Listing Rules.

The MARL Board of directors is comprised as follows (refer pages 16 to 19 of MQA's 2017 Annual Report for director profiles):

Current directors

Nora Scheinkestel
(Chairman, Independent non-executive)
Director from 28 August 2014 and Chairman since 17 April 2015

Richard England (Independent non-executive)
Director from 1 June 2010

Debbie Goodin (Independent non-executive)
Director from 1 September 2017

John Roberts (Non-executive)
Director from restructure implementation on 2 February 2010

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Former director

Marc de Cure (Independent non-executive)
Director from 3 August 2011 to 30 June 2017

Information regarding the number of times the MARL Board met throughout the 2017 financial year and individual attendances of each director at those meetings is shown below:

MARL Board Director	Meetings held	Meetings attended
Nora Scheinkestel (Chairman)	21	21
Richard England	21	21
Debbie Goodin (from 1 September 2017)	7	7
John Roberts	21	20
Marc de Cure (until 30 June 2017)	9	9

2. MARIL Board composition

The MARIL Board comprises five directors, each with broad industry experience. Four members of the MARIL Board are independent non-executive directors and one is a non-independent non-executive director. It is a requirement of the MARIL Bye-Laws that no more than two directors must be resident in the same jurisdiction (other than Bermuda), and no person may be appointed as a director if it would cause a majority of the MARIL Board to be resident for tax purposes in a single jurisdiction other than Bermuda. The MARIL Board composition is in compliance with the ASX Principles and all the directors of MARIL stand for re-election on a three-year rotational basis as required by the ASX Listing Rules.

The MARIL Board of directors is comprised as follows (refer pages 16 to 19 of MQA's 2017 Annual Report for director profiles):

Jeffrey Conyers
(Chairman, Independent non-executive)
Bermuda based – director since establishment on 16 December 2009

James Keyes (Independent non-executive)
Bermuda based – director from 21 February 2013

Chris Leslie (Non-executive)
United States based - director from 1 September 2017

Nora Scheinkestel (Independent non-executive)
Australia based – director from 17 April 2015

Derek Stapley (Independent non-executive)
Bermuda based – director from 1 June 2010

Information regarding the number of times the MARIL Board met throughout the 2017 financial year and individual attendances of each director at those meetings is shown below:

MARL Board Director	Meetings held	Meetings attended
Jeffrey Conyers (Chairman)	24	23
James Keyes	24	23
Chris Leslie (from 1 September 2017)	8	8
Nora Scheinkestel	24	24
Derek Stapley	24	24

3. Board Skills Matrix (Director Skills and Experience)

Our Boards seek to be made up of directors with an appropriate mix of skills, background and experience, both local and international, to enable them to discharge their responsibilities and add value to MQA.

A skills matrix for each of the MARL and MARIL Boards is prepared and reviewed annually in context of the skills considered most relevant for our business and strategy. This skills matrix is an important, but not the only basis of criteria applying to director appointments.

Directors across both boards have worked in a range of industry sectors including infrastructure, transport, construction, utilities and mining. From this experience, they bring operational, executive and financial knowledge as well as professional services skills. Many have worked through business cycles, as well as in sectors experiencing disruption and subject to significant technological change.

A summary of the key skill and experience areas assessed as important for MQA are detailed on page 7 of this statement.

The MQA Boards have reviewed these key areas and are satisfied that each area is adequately covered by the skills and experience of MQA's current eight directors.

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In the event that additional skills are required by our Boards not currently provided by a director or the management team, external specialist assistance in the area will be engaged.

In addition to these technical and professional areas of expertise, we believe that directors' soft skills are equally important and relevant in discharging director responsibilities, to review and refine the strategic direction and oversee performance. These skills include the ability to work effectively as a team while maintaining the ability to challenge and hold independence of thought. High integrity, a sense of curiosity and commitment to continuous learning are all considered important attributes for a well-functioning board.

Further information on the MARL and MARIL directors is detailed in MQA's 2017 Annual Report in the Directors' Report on page 30 and in the directors' profiles on pages 16 to 19.

As part of an ongoing process of review and renewal, and in the context of transition to internalised management, the MQA Boards will continue to review strategy and assess the skills. It is intended, post the management internalisation of MQA, to review the corporate strategy and reassess the skills and experience mix required of the Boards for MQA.

Skills & Experience	Explanation
Business development and strategy	Experience in developing, implementing and challenging strategy, to assist with the MQA Boards' review of strategy to achieve long term goals
Infrastructure sector	Experience in a senior position within the infrastructure sector, to assist in understanding and reviewing MQA's businesses and strategy in the industry
Risk management / health and safety	Experience developing policies and frameworks to support sound corporate governance, including the identification and monitoring of material risks
M&A / capital management / understanding of capital markets	Transactional experience in corporate actions including mergers, acquisitions, debt financing and capital raisings. Understanding of the demands and expectations of capital markets
Accounting, audit and financial acumen	Accounting qualifications and/or experience in financial analysis, to provide financial expertise in overseeing the integrity of MQA's financial reporting
Legal and regulatory	Legal qualification and/or experience, to ensure MQA meets its legal and compliance requirements and understands the regulatory environment in which it must work
International / cross cultural context	Experience living and working overseas and cross culturally, in a senior role or having responsibility for overseas operations
Government relations / public policy	Understanding of the political / governmental sphere, including how to work or interact with governments, government organisation, regulators and other key stakeholders
Breadth of business experience and executive leadership	Experience in diversity of business contexts through business cycles, including insight into people management, understanding of remuneration frameworks, responsibility for and ability to influence organisational culture
Sustainability and corporate responsibility	Understanding and insight into issues, strategies and initiatives relating to social responsibility and sustainability

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4. Nomination and Governance Committee

The Nomination and Governance Committees for each of MARL and MARIL have the same composition and Chairman as each of the MARL and MARIL Boards respectively.

The objective of the Nomination and Governance Committees is to assist the MARL and MARIL Boards (through the making of recommendations and provision of advice) in achieving an appropriate mix of skills, diversity and experience and that the governance policies and practices are such that the MQA Boards can provide successful oversight and stewardship.

Information regarding the number of times the Nomination and Governance Committees met throughout the 2017 financial year and individual attendances of the members at those meetings is shown below:

MARL Nomination and Governance Committee Member	Meetings held	Meetings attended
Nora Scheinkestel (Chairman)	4	4
Richard England	4	4
Debbie Goodin (from 1 September 2017)	1	1
John Roberts	4	3
Marc de Cure (until 30 June 2017)	2	2

MARIL Nomination and Governance Committee Member	Meetings held	Meetings attended
Jeffrey Conyers (Chairman)	4	3
James Keyes	4	4
Chris Leslie (from 1 September 2017)	1	1
Nora Scheinkestel	4	4
Derek Stapley	4	4

5. Director Independence

In determining the status of a director, we have adopted standards of independence that are similar to the ASX Principles. The full details of our independence criteria are set out in the MARL and MARIL Board Charters.

The main areas of difference from the independence criteria set out in the ASX Principles are:

- The independence criteria are designed to ensure that directors are not only independent from MQA but also independent from Macquarie and its other managed vehicles. Accordingly, the independence criteria must be satisfied in respect of relationships with each of MQA, Macquarie and other Macquarie-managed vehicles
- Our Boards have a general discretion to determine that the criteria are satisfied if they form the view that any interest or relationship a director may have does not materially interfere with or otherwise disqualify the exercise of the director's independent judgment.

The independence criteria allow for directors to serve on up to two Macquarie managed vehicle head boards (with stapled entities counting as one group). Currently none of the independent directors serve on any other Macquarie managed vehicle head boards.

If any independent director serves on two Macquarie managed vehicle head boards or has been determined by the MQA Boards as independent despite not satisfying all of the independence criteria, they will be noted as such in their descriptions in any of our public disclosures and reasons will be provided for any independence determination.

The independence of each non-executive director is considered prior to appointment and then reviewed annually by the MQA Boards.

Jeffrey Conyers has been chairman of MARIL since inception. He was appointed to the MARIL Board, having previously served on the Macquarie Infrastructure Group board. In view of his expertise, knowledge of the sector and the assets, the MQA Boards continue to believe that he brings considerable value to the MARIL Board.

Jeffrey Conyers' wife, Edith Conyers, is Chief Administration Officer at Horseshoe Fund Group, a Bermudian-based firm that provides company secretarial and fund administration services to clients including other Macquarie managed vehicles. Jeffrey has no involvement with the operations of Horseshoe Group but is a beneficiary of his wife's involvement in the business. Edith Conyers is an independent business woman of 30 years' standing as a fund administrator in Bermuda. She is not involved with the provision of services to MQA.

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The MQA Boards have assessed Jeffrey's independence and confirmed his independent status.

Chris Leslie is a MARIL director and is not considered independent as he is an employee of Macquarie Infrastructure and Real Assets (**MIRA**) (a division of the Macquarie Asset Management Group) based in New York City.

John Roberts is a MARL director and also acts as a consultant to Macquarie and non-executive Chairman of MIRA. He serves on a number of boards and investment committees in MIRA to provide oversight and strategic direction to individual fund management executive teams.

John is not considered independent because of his ongoing affiliation with Macquarie.

6. Chairman

MARL has an independent non-executive chairman, Nora Scheinkestel.

MARIL has an independent non-executive chairman, Jeffrey Conyers.

In neither case does the chairman exercise the role of CEO. That role is performed by James Hooke, who was appointed as CEO effective 1 February 2018.

7. Director Induction and Professional Development

As described in the Board Performance section under Principle 1 above, we have a program for inducting new directors and providing appropriate professional development opportunities for MARL and MARIL directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

8. Independent professional advice

The directors of MARL and MARIL are entitled to obtain independent professional advice at the company's cost, subject to the estimated costs being first approved by the chairman as reasonable.

Principle 3 Act ethically and responsibly

Relevant governance documents:

MQA Code of Conduct
MQA Securities (Windows) Trading Policy
MQA Environmental and Social Responsibility Policy
MQA Managing Conflicts Policy

1. Managing conflicts

We have a policy for dealing with actual, apparent or potential conflicts of interest which arise out of the fact that the MQA Manager is part of Macquarie and that we may transact from time to time or share staff or information with other Macquarie companies or managed vehicles. All transactions with, or services to be provided by, Macquarie entities or managed vehicles must be on arm's length terms and approved by MQA independent directors only. Fees paid to Macquarie for services are disclosed in our financial statements.

Since the announcement of the internalisation process in November 2017 independent board committees have been established for each entity, chaired by the respective independent company chairmen, to deal with all matters relating to the internalisation.

2. Ethical conduct

Our code of conduct covers our dealing with external parties and how we operate internally. The code applies to MARL and MARIL directors and Macquarie employees who work for MQA. It sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The code includes whistleblower, anti-corruption and dealing with governments and anti-money laundering policies.

3. Staff and director trading

A policy on securities dealings is in place under which directors and staff involved in our management are restricted in their ability to deal in MQA stapled securities. Security trading by MQA directors, officers and staff is permitted during four-week special trading windows following the release of MQA's half-yearly and yearly financial results, and following the annual

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general meeting or lodgement with ASIC and ASX of a disclosure document for a capital raising or a cleansing statement for a rights issue.

If the trading window is not opened as scheduled for any reason, a special trading window of up to four weeks may be permitted at a later date.

4. Environmental and social responsibility (ESR)

Our approach to environmental and social responsibility management is set out in a formal ESR policy. In general, the regulatory/governing framework and minimum standards under which MQA's assets operate are set out by local laws and regulations and so are not controlled by MQA or its businesses. It is MQA's policy, at the time of investment, to assess a prospective asset against accepted good ESR practices and make recommendations for improvements where necessary and, on an ongoing basis, to promote and support compliance by assets with those standards. Our ability to control or influence the ongoing management of ESR issues at each portfolio asset will differ based on the extent of our control/governance rights at each asset through the level of ownership influence, board representation and regulatory environment governing each asset.

Principle 4 Safeguard integrity in corporate reporting

Relevant governance documents:

MARL and MARIL Audit and Risk Committee Charters
MQA Auditor Independence Policy

1. Audit and Risk Committees

Each of MARL and MARIL has an Audit and Risk Committee which complies with the ASX Principles. The Audit and Risk Committees are comprised as follows:

MARL

Richard England, Chairman, Independent non-executive

Debbie Goodin, Independent non-executive
from 1 September 2017

Nora Scheinkestel, Independent non-executive

John Roberts, non-executive director
from 30 June to 1 September 2017¹

Marc de Cure, Independent non-executive
until 30 June 2017

MARIL

Derek Stapley, Chairman, Independent non-executive

Jeffrey Conyers, Independent non-executive

Chris Leslie, non-executive director
from 1 September 2017

Nora Scheinkestel, Independent non-executive

The qualifications and experience of the members of both Audit and Risk Committees are described in MQA's 2017 Annual Report in the Directors' Report on page 30 and in the directors' profiles on pages 16 to 19.

Information regarding the number of times the Audit and Risk Committees met throughout the 2017 financial year and individual attendances of the members at those meetings is shown below:

MARL Audit and Risk Committee Member	Meetings held	Meetings attended
Richard England (Chairman)	5	5
Debbie Goodin (from 1 September 2017)	1	1
Nora Scheinkestel	5	5
John Roberts (from 30 June to 1 September 2017) ¹	1	1
Marc de Cure (until 30 June 2017)	3	3

MARIL Audit and Risk Committee Member	Meetings held	Meetings attended
Derek Stapley (Chairman)	5	5
Jeffrey Conyers	5	5
Chris Leslie (from 1 September 2017)	1	1
Nora Scheinkestel	5	5

¹ John Roberts' appointment was to fill an interim vacancy and only one meeting was held during his appointment term.

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2. Audit and Risk Committee charters

The MARL and MARIL Audit and Risk Committees operate under a similar formal charter. The responsibilities of the Audit and Risk Committee under each charter in relation to financial reporting are to:

- Monitor the quality and reliability of the financial information prepared by the MQA Manager for approval by the MQA Boards
- Review and report to the MQA Boards on the financial statements and related notes, and on the external auditor's audit of the financial statements and its accompanying report
- Recommend to the MQA Boards the appointment and removal of the external auditor, review the terms of its engagement including arrangements for the rotation of external audit partners, and the scope and quality of the audit
- Monitor auditor independence.

The Audit and Risk Committees meet with the external auditor at least twice a year and more frequently if required.

Details of the risk monitoring duties of the Audit and Risk Committees are set out in the Principle 7 commentary below.

Prior to half year and full year financial statements being presented to the MQA Boards for their approval, the CEO and CFO provide the MQA Boards with a declaration that, in their opinion, the financial records of MQA had been properly maintained in accordance with the Corporations Act and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of MQA and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

3. Auditor independence

The Audit and Risk Committees have adopted a policy that includes the following to ensure the independence of the external auditor:

- The external auditor must remain independent from Macquarie and MQA at all times and must comply with APES 110: Code of Ethics for Professional Accountants pertaining to financial independence, and business and employment relationships
- The external auditor must monitor its independence and report to the MQA Boards every six months that it has remained independent
- Any non-audit assignments must not compromise auditor independence and must meet MQA's guidelines for permissible assignments
- Significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the Audit and Risk Committees (or the chairman between meetings)
- All non audit assignments are to be reported to the Audit and Risk Committees every six months
- The MQA audit engagement partner and review partner must be rotated every five years.

Our current auditor is PricewaterhouseCoopers (**PwC**). PwC is also auditor for Macquarie.

The auditor is required to be independent from MQA and Macquarie. PwC confirms that it meets this requirement every six months. In addition, the audit partner is rotated every five years.

The auditor attends MQA's annual general meetings and is available to answer securityholder questions relevant to the audit, such as the conduct of the audit, and the preparation and content of the auditor's report.

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Principle 5 Make timely and balanced disclosure

Relevant governance documents:

MQA External Communications Policy

It is our policy to provide timely, open and accurate information to all stakeholders, including investors, regulators and the wider investment community. MARL and MARIL are contractually obliged to exchange relevant information and coordinate ASX releases and financial reporting.

We have an external communications policy that includes policies and procedures in relation to disclosure and compliance with the disclosure requirements in the ASX Listing Rules and addressing matters such as the roles and responsibilities of directors, officers and employees in complying with disclosure obligations, media contact and comment, and avoiding selective disclosure when interacting with analysts and securityholders and communications with securityholders generally.

Principle 6 Respect the rights of security holders

Relevant governance documents:

MQA External Communications Policy

We provide comprehensive information about our business and governance to investors via our website (www.macquarieatlasroads.com).

Including:

- copies of prospectuses
 - asset factsheets and analyst packs
 - copies of investor presentations
 - copies of the MQA Management Agreements
 - high level summary of the MQA Management Agreements addressing the disclosure recommended in ASX Guidance Note 26
 - disclosure about our operational and governance arrangements in the form required by ASIC Regulatory Guide 231 applying to listed infrastructure funds.
- Investors are provided with an annual report and financial statements, either by accessing our website, or in hard copy if specifically requested, which keep them informed of our performance and operations. Investors are notified in writing when this material becomes available and are provided with details of how to access it.
- We lodge market-sensitive information with the ASX and place it on our MQA website, including annual and interim financial results announcements and analyst presentations, as soon as practically possible. Investors may also register on the MQA website to receive notification of our significant ASX announcements.
- Domestic and international roadshows are held regularly for institutional investors. Analyst and roadshow presentations are released to the ASX and included on the MQA website.
- The website also provides detailed business descriptions, asset factsheets and financial modelling tools.
- Each of MARL and MARIL is required to hold an annual general meeting. The 2018 annual general meetings will be held on 14/15 May 2018 (Bermuda/ Sydney times). Live and archive audio webcasts will be available on the MQA website (www.macquarieatlasroads.com).
- For formal meetings, an explanatory memorandum on the resolutions is included with the notice of meeting. Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote on all resolutions. In the event that securityholders cannot attend formal meetings, they are able to lodge a proxy in accordance with the Corporations Act or Bermudan
- an overview of our operations, stapled structure and external management arrangements
 - names, photographs and brief biographical information for each of its directors and senior executives
 - the MARL and MARIL constitutions, board charters and charters of each of their committees
 - corporate governance policies (or summaries of them) referred to in this statement
 - copies of annual report and financial statements since listing
 - copies of ASX announcements since listing
 - copies of notices of meetings of securityholders and accompanying documents

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Companies Act, as applicable. Proxy forms can be mailed or lodged by facsimile, additionally proxy forms can be made online.

Principle 7 Recognise and manage risk

Relevant governance documents:

MQA Risk Management Policy
MQA Environmental and Social Responsibility Policy
MQA Workplace Health and Safety Policy

Fund

At MQA, we have two key mechanisms to assist with the identification and management of our key risks: the Risk Appetite Statement and Risk Management Framework.

A. Risk Appetite Statement

The purpose of a Risk Appetite Statement is to describe:

- The nature and amount of risk that MQA is willing to accept in pursuit of an appropriate and resilient long-term return on capital
- The risks MQA is not willing to accept
- The limits and policies to ensure that the risks accepted are consistent with the risk appetite
- The processes established to:
 - ensure that our risk tolerances are set at an appropriate level
 - monitor compliance with our risk tolerances, limits and policies, and the steps we take if / when these thresholds are breached
- The timing and process for review of the risk limits and policies.

Our Risk Appetite Statement is reviewed at least annually and approved by the MQA Boards.

B. Risk Management Framework

We have our own risk management framework and policies that reflect the investment, credit, liquidity, operational and legal risks specifically associated with MQA's operations and investments. A key part of this framework is clear identification of risk roles and responsibilities represented by 'three lines of defence'.

The primary responsibility for risk management lies at the business level which forms the first line of defence. The MQA CEO and MQA staff are responsible for identifying risks and confirming that risks are managed appropriately. The Risk Management Group (**RMG**) within Macquarie forms the second line of defence and helps develop an appropriate framework (including limits) in which the business must operate. There is also active oversight and monitoring of compliance with this framework. The third line of defence, which includes Macquarie's internal audit division, independently reviews and challenges the risk management controls, processes and systems. Importantly, in the MQA context, these reviews cover controls, processes and systems at the MQA and MQA Manager level but do not include controls at the underlying portfolio assets.

The MQA Boards review the design and effectiveness of the risk framework, strategies and practices in place to manage the material business risks bi-annually.

Assets

The responsibility for managing the risks at each of our portfolio assets resides with the board and/or management team of each portfolio company.

MQA nominates appropriately experienced individuals to the position of Non-Executive Director (**NED**) on the boards of our portfolio companies. As directors, the MQA-nominee NEDs and the rest of the board and management team of the portfolio company have legal responsibility for the oversight of portfolio company operations including seeking to ensure the company has in place policies, systems, procedures and practices to manage the key risks of the company.

The MQA Boards are provided with updates on the management of key risks and the effectiveness of controls at each portfolio company through a combination of the CEO report, CFO report, and Risk Manager's report.

Environmental, Social and Governance (ESG) Risks

ESG considerations are embedded within our investment decision making approach and the asset management frameworks through which we encourage portfolio companies to assess and improve performance. This is supported by our

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ESG and Risk experts, centralised policies and processes and the expertise of our in-house asset management teams. Within our overall approach to asset management we place emphasis on the ESG areas that are important and meaningful to each of our businesses, our portfolio companies and employees, as well as the industry and community in which each portfolio company operates. These focus areas currently include health and safety, governance and anti-corruption, human rights, the environment, stakeholder relations, community engagement and cyber security. While MQA does not have material exposure to ESG risks, it does have material economic exposure. Financial performance is influenced by a variety of economic and business conditions, including economic growth, inflation, interest rates, government and monetary policies and consumer sentiment. Prolonged deterioration in these conditions will impact operating and financial performance. This financial exposure is managed through the following key mechanisms:

- Management of fund financial performance by the MQA CEO, CFO and executive team
- MQA Board's approval and oversight of the MQA strategy and plan
- Assessment of the financial risk and control framework of each potential investment during due diligence
- Active financial oversight of investments by the respective MQA nominee directors, including:
 - Suitability of the financial control framework;
 - Degree of leverage;
 - Debt covenant monitoring; and
 - Financial planning.

We are fully exposed to, and accept, the foreign exchange risk resulting from our investments in assets outside Australia. Sensitivity analysis of the impacts to both asset valuations and cash flows from movements in foreign exchange rates are monitored by the MQA Boards.

Principle 8 Remunerate fairly and responsibly

Relevant governance documents:

MARL and MARIL Remuneration Committee Charters
MQA Remuneration Report

1. Director and MQA Manager Remuneration

MQA has no staff of its own. The CEO, CFO and other senior executives working for MQA are Macquarie employees and are seconded to MQA under the management arrangements. They are remunerated by Macquarie. While Macquarie consults with MQA Boards regarding their performance reviews, MQA is not privy to their remuneration arrangements. On 20 October 2017 it was announced that James Hooke would be appointed CEO of MQA effective 1 February 2018 and Macquarie agreed that on an ongoing basis it would provide details of the remuneration paid to Mr Hooke by Macquarie in his capacity as MQA CEO. It is expected that the MQA CEO remuneration will be reported in next year's Remuneration Report. Under Australian accounting standards the MQA directors are classified as key management personnel for MARL and MARIL but they are not responsible for the day to day running of the business.

Full details and a discussion of MQA remuneration arrangements, both in relation to the directors and the MQA Manager, alignment of interest and MQA Manager and staff incentives are set out in the 2017 Remuneration Report.

2. Remuneration Committee

The MARL and MARIL Boards have each constituted a Remuneration Committee which complies with the requirements of the ASX Principles. The Remuneration Committees are comprised as follows:

MARL

Debbie Goodin, Chairman, Independent non-executive from 1 September 2017

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Richard England, Independent non-executive

John Roberts, Non-executive

Nora Scheinkestel, Chairman, Independent non-executive from 30 June to 1 September 2017¹

Marc de Cure, Chairman, Independent non-executive until 30 June 2017

MARIL

James Keyes, Chairman, Independent non-executive

Jeff Conyers, Independent non-executive

Nora Scheinkestel, Independent non-executive

The MARL and MARIL Remuneration Committees each operate under a similar formal charter. The Committees have overall responsibility for reviewing and recommending the compensation for MQA's Key Management Personnel, which as discussed above, in the context of the externally managed structure, are the directors of MARL and MARIL as well as reviewing and recommending the Remuneration Report.

Information regarding directors' attendance at MARL and MARIL Remuneration Committee meetings held throughout the 2017 financial year is shown below:

MARL Remuneration Committee Member	Meetings held	Meetings attended
Debbie Goodin (Chairman) (from 1 September 2017)	1	1
Richard England	2	2
John Roberts	2	2
Nora Scheinkestel (Chairman) (from 30 June to 1 September 2017) ¹	-	-
Marc de Cure (Chairman) (until 30 June 2017)	1	1

MARIL Remuneration Committee Member	Meetings held	Meetings attended
James Keyes (Chairman)	2	2
Jeffrey Conyers	2	2
Nora Scheinkestel	2	2

¹ Nora Scheinkestel's appointment was to fill an interim vacancy and there were no meetings held during her appointment term.