



# Atlas Arteria Corporate Governance Statement

2018

# Corporate Governance Statement

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

On 15 May 2018 ALX securityholders approved an internalisation proposal at the ALX Annual General Meeting whereby ALX will cease to be externally managed by the ALX Manager no later than 15 May 2019 (**Internalisation**).

As at the date of this statement, ALX remains Macquarie managed. ALX'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 ALX being an externally managed vehicle. Any relevant implications or exceptions are noted in the reporting against these principles in this statement.

Our Corporate Governance Statement has been approved by the ALX Boards and outlines our main corporate governance practices for the year ended 31 December 2018. Copies or summaries of certain governance documents referred to in this statement can be found in the "Corporate Governance" section of our website ([www.atlasarteria.com](http://www.atlasarteria.com)). These governance documents are regularly reviewed and updated to ensure that they remain consistent with the objectives of the ALX Boards.

By way of background to our external management arrangements, ALX comprises Atlas Arteria Limited (ACN 141 075 201) (**ATLAX**), an Australian public company, and Atlas Arteria International Limited (Registration No. 43828) (**ATLIX**), an exempted mutual fund company incorporated in Bermuda. ALX is listed as a stapled structure on the Australian Securities Exchange (**ASX**). The securities of ATLAX and ATLIX are stapled and must trade and otherwise be dealt with together.

Management and advisory agreements (**ALX Management Agreements**) with Macquarie Fund Advisers Pty Limited (ABN 84 127 735 960) (AFS Licence Number 318123) (the **ALX Manager**) were entered into by ATLAX and ATLIX respectively on 2 February 2010 and updated effective 15 May 2018.

The ALX Management Agreements are non-discretionary and substantially similar in their terms. They require the ALX Manager to make investment and divestment recommendations, provide active management of the ALX assets and assist with the general administration of the companies.

The ALX Manager makes staff available as part of its management services, to perform the roles of ALX Chief Executive Officer (**CEO**), Chief Financial Officer (**CFO**), Chief Operating Officer (**COO**), Head of Investor Relations and ATLAX Company Secretary.

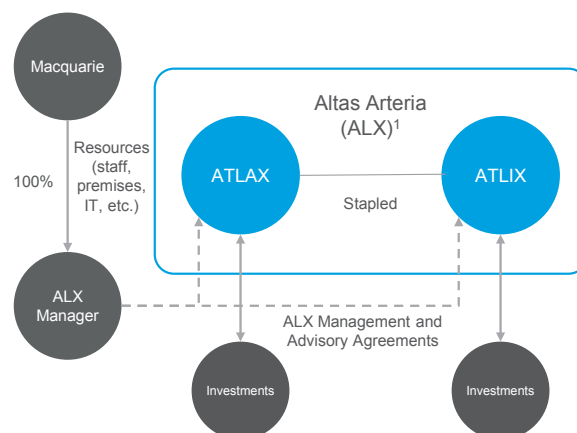
In preparation for the Internalisation, ALX is now employing its own staff (**ALX Employees**) including the CEO Elect and CFO Elect.

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

Detailed information in respect of the ALX structure and external management arrangements as well as the ALX constituent documents can be found in the "Corporate Governance" section of our website ([www.atlasarteria.com](http://www.atlasarteria.com)).

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

## Atlas Arteria Structure



<sup>1</sup> From May 2018 ALX commenced hiring its own staff

# Corporate Governance Statement

CONTINUED

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

## Principle 1 Lay solid foundations for management and oversight

### Relevant governance documents:

ATLAX and ATLIX Board Charters

ALX Diversity Policy

Responsibility for corporate governance of ATLAX and ATLIX 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 ATLIX or ATLAX as the case may be, setting strategic objectives for ALX
  - 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 ALX
  - Monitoring ALX's material business risks and how they are managed
  - Overseeing the process for establishing a risk management framework in respect of ALX's material business risks and operational risks and approving a risk management policy
  - Monitoring and assessing the performance of the ALX Manager under the ALX Management Agreements
  - Periodically reviewing the ALX Management Agreements
  - Monitoring and influencing ALX's corporate culture, reputation, ethical standards and legal compliance.
- In support of the above, ALX's Boards will:
- Appoint, review the performance of and when necessary request the ALX Manager to replace the CEO, the CFO and Company Secretary in accordance with the ALX Management Agreement
  - Assess the adequacy of resources provided under, and compliance generally with the ALX Management Agreements
  - Oversee the ALX Manager's implementation of the Boards' strategic objectives, and its management of ALX generally
  - Monitor the integrity of the accounting and corporate reporting systems used by the ALX Manager for ALX 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 ALX that a reasonable person would expect to have a material effect on the price or value of ALX's securities
  - Monitor implementation of ALX's risk management framework and review ALX's material risks
  - Approve key policies governing the operations of ALX
  - Oversee communications with shareholders and regulators.

# Corporate Governance Statement

CONTINUED

The CEO and CFO have delegated authority (through the external management arrangements and directorships on asset boards) to make decisions in respect of ATLAX and ATLIx'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 Boards.

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

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

## Macquarie Employees

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

The CEO, CFO, COO, Head of Investor Relations and the ATLAX Company Secretary are Macquarie employees who act on behalf of ATLAX and ATLIx pursuant to the terms of the ALX 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 ALX Boards annually review the performance of the CEO and his senior executives, set objectives for them and provide feedback to Macquarie in respect of their performance. This was carried out for the 2018 financial year.

The performance of the ALX Manager is reviewed against its contractual obligations, with external assistance if required.

## ALX Employees

In preparation for the internalisation of management and termination of the ALX Management Agreements, the ALX Boards have commenced recruitment of direct ALX employees. These roles are currently focused on establishing ALX as an independently run group and not on normal business activities. All new senior positions have formalised job descriptions and letters

of appointment. In addition senior executives have been set Key Performance Indicators (**KPIs**) against which their performance will be formally evaluated.

## 1. Board performance

To ensure that the directors of ATLAX and ATLIx 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 program 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 2018 review has been conducted with an external facilitator. Outcomes of the review will be discussed at a forthcoming joint meeting of the two Boards and action points for continuing improvement will be agreed. Individual directors are debriefed on their own performance and individual plans agreed with the relevant Chair.

## Selection and Election of Directors

Each of the ALX 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 ALX 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 ATLAX and ATLIx are each accountable directly to the ALX Boards, through the ATLAX and ATLIx Chairmen, on all matters to do with the proper functioning of the boards.

# Corporate Governance Statement

CONTINUED

## 2. Diversity

At ALX, 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 ALX under formal resourcing arrangements. We seek to influence diversity in the ALX group based on the principles outlined in our diversity policy:

- 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 ALX management level:
  - for Macquarie management staff, through consultation with Macquarie. Macquarie has its own diversity policy in place which is based on similar principles to those of ALX's diversity policy
  - for ALX Employees through the appointment of individuals in line with ALX's diversity policy and the creation of an inclusive working environment
- At the businesses in which ALX invests, through ALX appointed portfolio company directors supporting the implementation of appropriate diversity policies in these businesses.

ALX 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 ALX Boards are women, respectively the Chairman of ATLAX and the Chairman of the ATLAX Audit and Risk Committee. This constitutes 50% of the ATLAX board and 20% of the ATLIX 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 assist in Board decision making.

### *Management diversity*

Macquarie staff provided by Macquarie to work on ALX as part of the ALX 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 ATLAX and ATLIX company secretaries. Three of the seven officers are women (being the Head of Investor Relations and the two ATLAX company secretaries).

Overall on a full-time equivalent basis, approximately 41% (2017: 53%) of the Manager's team working on ALX are women.

Senior ALX Employees following internalisation will include the CEO, CFO, COO and General Counsel/ Company Secretary, along with the Head of Corporate Affairs and Investor Relations and the Group Financial Controller. Three of these six officers will be 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 environmental and social responsibility (**ESR**) management section of the 2018 Annual Report and on our website at [www.atlasarteria.com](http://www.atlasarteria.com).

## Principle 2 Structure the board to add value

### Relevant governance documents:

ATLAX and ATLIX Director Profiles

ATLAX and ATLIX Nomination and Governance Committee Charters

Board composition and membership criteria are set out in each of the ATLAX and ATLIX Board Charters. In summary the majority of directors must be independent directors, there must be an independent Chairman and the Boards must comprise directors with an appropriate mix of qualifications, skills, expertise and experience appropriate for ALX'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 ALX.

# Corporate Governance Statement

CONTINUED

## 1. ATLAX Board Composition

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

The ATLAX Board of directors is comprised as follows (refer pages 16 to 17 of ALX's 2018 Annual Report for director profiles):

### Current directors

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

Debra Goodin  
(Independent non executive)  
Director from 1 September 2017

David Bartholomew  
(Independent non executive)  
Director from 1 October 2018

Jean-Georges Malcor  
(Independent non executive)  
Director from 1 November 2018

### Former directors

John Roberts  
(Non executive)  
Director from restructure implementation on 2 February 2010 to 28 September 2018

Richard England  
(Independent non executive)  
Director from 1 June 2010 to 30 November 2018

Information regarding the number of times the ATLAX Board met throughout the 2018 financial year and individual attendances of each director at those meetings is shown as follows:

ATLAX Board Directors	Meetings held	Meetings attended
Nora Scheinkestel (Chairman)	18	18
Debra Goodin	18	18
David Bartholomew (from 1 Oct 2018)	2	2
Jean-Georges Malcor (from 1 Nov 2018)	2	2
John Roberts (until 28 Sept 2018)	16	13
Richard England (until 30 Nov 2018)	17	17

## 2. ATLIX Board Composition

The ATLIX Board comprises five directors, each with broad industry experience. Four members of the ATLIX Board are independent non executive directors and one is a non-independent non-executive director. It is a requirement of the ATLIX 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 ATLIX Board to be resident for tax purposes in a single jurisdiction other than Bermuda. The ATLIX Board composition is in compliance with the ASX Principles and all the directors of ATLIX stand for re-election on a three-year rotational basis as required by the ASX Listing Rules.

The ATLIX Board of directors is comprised as follows (refer pages 18 to 19 of ALX's 2018 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

Christopher 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

# Corporate Governance Statement

CONTINUED

Information regarding the number of times the ATLIX Board met throughout the 2018 financial year and individual attendances of each director at those meetings is shown below:

ATLIX Board Directors	Meetings held	Meetings attended
Jeffrey Conyers (Chairman)	19	19
James Keyes	19	19
Christopher Leslie	19	19
Nora Scheinkestel	19	19
Derek Stapley	19	18

### 3. Board Skills Matrix (Director Skills and Experience)

Our Boards are made up of directors with a mix of skills, background and experience, both local and international, to enable them to discharge their responsibilities and add value to ALX.

A skills matrix for each of the ATLAX and ATLIX 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 upon which director appointments are made.

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 ALX are detailed below.

Skills & Experience	Explanation
Business development and strategy	Experience in developing, implementing and challenging the strategy to achieve the Company's long term goals
Infrastructure sector	Experience in a senior position within the infrastructure sector to assist in understanding and reviewing ALX'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, management 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 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 ALX's financial reporting
Legal and regulatory	Legal qualification and/or experience to ensure ALX 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 political/governmental sphere, how to work or interact with government, government organisations, regulators and other key stakeholders
Breadth of business experience and executive leadership	Experience in diversity of business contexts, through business cycles, 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 of social responsibility and sustainability strategies and initiatives

# Corporate Governance Statement

CONTINUED

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

In the event that additional skills are required by our Boards and not currently provided by a director or the management team, external specialist assistance in the area is engaged. In addition to 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 ATLAX and ATLIX directors is detailed in ALX's 2018 Annual Report in the Directors' Report on page 31 and in the directors' profiles on pages 35 to 37. As part of an ongoing process of review and renewal, and in the context of transition to internalised management, two appointments were made to the ATLAX Board in 2018. David Bartholomew brings deep sectoral expertise as well as a background as a CEO of an ASX listed company. Jean-Georges Malcor, an extremely experienced business leader brings a breadth of business experience including from the construction and engineering sectors as well as being able to provide insights from the markets in which some of our key assets are located.

The Boards will continue to review strategy and assess the skills required.

#### 4. Nomination and Governance Committee

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

The objective of the Nomination and Governance Committees is to assist the ATLAX and ATLIX 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 Boards can provide successful oversight and stewardship.

Information regarding the number of times the Nomination and Governance Committees met throughout the 2018 financial year and individual attendances of the members at those meetings is shown below:

<b>ATLAX Nomination and Governance Committee Member</b>	<b>Meetings held</b>	<b>Meetings attended</b>
Nora Scheinkestel (Chairman)	3	3
Debra Goodin	3	3
David Bartholomew (from 1 Oct 2018)	1	1
Jean-Georges Malcor (from 1 Nov 2018)	1	1
John Roberts (until 28 Sept 2018)	2	2
Richard England (until 30 Nov 2018)	3	3

<b>ATLIX Nomination and Governance Committee Member</b>	<b>Meetings held</b>	<b>Meetings attended</b>
Jeffrey Conyers (Chairman)	3	3
James Keyes	3	3
Christopher Leslie	3	3
Nora Scheinkestel	3	3
Derek Stapley	3	3



# Corporate Governance Statement

CONTINUED

## 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 ATLAX and ATLIX 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 ALX but also independent from Macquarie and its other managed vehicles. Accordingly, the independence criteria must be satisfied in respect of relationships with each of ALX, Macquarie and other Macquarie managed vehicles
- The ALX 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 our 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 our Boards.

Jeffrey Conyers has been chairman of ATLIX since inception. He was appointed to the ATLIX Board, having previously served on the Macquarie Infrastructure Group Board. The ALX Boards continue to believe that Jeff's expertise, knowledge of the sector and the assets brings considerable value to the Board, particularly as we complete the transition to independent management.

Jeffrey Conyers' wife, Edith Conyers, recently retired as 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 (although in her role she was not involved with the provision of services to ALX).

Christopher Leslie is an ATLIX 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.

## 6. Chairman

ATLAX has an independent non executive chairman, Nora Scheinkestel.

ATLIX 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 ATLAX and ATLIX Directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

## 8. Independent professional advice

The directors of ATLAX and ATLIX 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.

# Corporate Governance Statement

CONTINUED

## Principle 3 Act ethically and responsibly

### Relevant governance documents:

ALX Code of Conduct

ALX Securities (Windows) Trading Policy

ALX Environmental and Social Responsibility Policy

ALX 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 ALX 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 ALX 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 (**IBCs**) have been established for each entity, chaired by the respective independent company chairmen, to deal with matters relating to the internalisation where a conflict may exist with Macquarie.

### 2. Ethical conduct

Our code of conduct covers both how we deal with external parties and how we operate internally. The code applies to ATLAX and ATLIX directors, ALX employees and Macquarie employees who work for ALX. 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 unethical behaviour. The code is supplemented by whistleblower processes, 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 ALX stapled securities. Security trading by ALX directors, officers and staff is permitted during four-week special trading

windows following the release of ALX's half-yearly and yearly financial results, and following the annual 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, the Board may authorise a special trading window of up to four weeks 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 ALX's assets operate are set out by local laws and regulations and so are not controlled by ALX or its businesses. It is ALX'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. For more information on our ESR practices, refer to the Sustainability section of the 2018 Annual Report.

## Principle 4 Safeguard integrity in corporate reporting

### Relevant governance documents:

ATLAX and ATLIX Audit and Risk Committee Charters

ALX Auditor Independence Policy

### 1. Audit and Risk Committees

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

#### ATLAX

##### Current members

Debra Goodin, Chairman from 1 December 2018, Independent non executive (member since 1 September 2017)

# Corporate Governance Statement

CONTINUED

Nora Scheinkestel, Independent non executive

Jean-Georges Malcor,  
Independent non executive from 1 November 2018

*Former member*

Richard England, Chairman, Independent non executive until 30 November 2018

## ATLIX

*Current members*

Derek Stapley, Chairman, Independent non executive

Jeffrey Conyers, Independent non executive

Christopher Leslie, Non executive director

Nora Scheinkestel, Independent non executive

The qualifications and experience of the members of both Audit and Risk Committees are described in ALX's 2018 Annual Report in the Directors' Report on page 31 and in the directors' profiles on pages 35 to 37.

Information regarding the number of times the Audit and Risk Committees met throughout the 2018 financial year and individual attendances of the members at those meetings is shown below:

ATLAX Audit and Risk Committee Member	Meetings held	Meetings attended
Debra Goodin (Chairman from 1 Dec 2018, member full year)	6	6
Nora Scheinkestel	6	6
Jean-Georges Malcor (from 1 Nov 2018)	1	1
Richard England (Chairman until 30 Nov 2018)	6	6

ATLIX Audit and Risk Committee Member	Meetings held	Meetings attended
Derek Stapley (Chairman)	6	6
Jeffrey Conyers	6	6
Christopher Leslie	6	6
Nora Scheinkestel	6	6

## 2. Audit and Risk Committee charters

The ATLAX and ATLIX 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 ALX Manager for approval by the Boards
- Review and report to the 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 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.

Concurrent with the half year and full year financial statements being presented to the ALX Boards for their approval, the CEO and CFO provide the ALX Boards with a declaration that, in their opinion, the financial records of ALX 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 ALX 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 ALX 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 Boards every six months that it has remained independent

# Corporate Governance Statement

CONTINUED

- Any non-audit assignments must not compromise auditor independence and must meet ALX'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 ALX 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 ALX and Macquarie. PwC confirms that it meets this requirement every six months. In keeping with the above commitment to rotate the audit partner every five years, following the 2018 annual audit Craig Stafford stood down and Stephanie Smith assumed the role of signing partner.

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

## Principle 5 Make timely and balanced disclosure

### Relevant governance documents:

ALX 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. ATLAX and ATLIX 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 security holders and communications with security holders generally.

## Principle 6 Respect the rights of security holders

### Relevant governance documents:

ALX External Communications Policy

We provide comprehensive information about our business and governance to investors via our website ([www.atlasarteria.com](http://www.atlasarteria.com)).

Including:

- an overview of our operations, stapled structure and external management arrangements
- names, photographs and brief biographical information for each of our directors and senior executives
- the ATLAX and ATLIX constitutions, board charters and charters of each of the 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 security holders and accompanying documents
- copies of prospectuses
- analyst packs
- copies of investor presentations
- copies of the ALX Management Agreements and the Transition Agreement.
- high level summary of the ALX 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.

# Corporate Governance Statement

CONTINUED

We lodge market-sensitive information with the ASX and place it on our ALX website, including annual and interim financial results announcements and analyst presentations, as soon as practically possible. Investors may also register at on the ALX 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 ALX website.

ALX produces an analyst pack which is updated periodically. This comprehensive guide aims to provide transparency of our investments and structure. The analyst pack is available on the ALX website and consists of detailed business descriptions, corresponding financial variables and financial modelling tools.

Each of ATLAS and ATLIX is required to hold an annual general meeting (**AGM**). The 2019 AGMs will be held on 16/17 April 2019 (Bermuda/Sydney times). Live and archive audio webcasts of the AGMs will be available on the ALX website.

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 security holders cannot attend formal meetings, they are able to lodge a proxy in accordance with the Corporations Act or Bermudan Companies Act, as applicable. Proxy forms can be mailed or lodged by facsimile or online.

## Principle 7 Recognise and manage risk

### Relevant governance documents:

ALX Risk Management Policy

ALX Environmental and Social Responsibility Policy

ALX Workplace Health and Safety Policy

The Audit and Risk Committees are responsible for monitoring and reviewing with management the effectiveness of the internal control and operational risk management frameworks and compliance with key risk management policies, including the processes for identifying, assessing and responding to risks in a manner that is in accordance with the organisation's risk appetite.

## Fund

At ALX, 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 ALX is willing to accept in pursuit of an appropriate and resilient long-term return on capital;
- The risks ALX 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; and
- 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 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 ALX'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 ALX CEO and ALX 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.

# Corporate Governance Statement

CONTINUED

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 ALX context, these reviews cover controls, processes and systems at the ALX and ALX Manager level but do not include controls at the underlying portfolio assets.

The ALX Audit and Risk Committees and/or Boards formally review the design and effectiveness of the risk framework, strategies and practices in place to manage the material business risks bi-annually, supported by deep dives on key risk areas throughout the year.

## Assets

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

ALX nominates appropriately experienced individuals to the position of Non-Executive Director (**NED**) on the boards of our asset companies. As directors, the ALX-nominee NEDs and the rest of the board and management team of the asset company have legal responsibility for the oversight of asset 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 ALX Audit and Risk Committees and/or 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 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 business, 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, anti-slavery, the environment, stakeholder relations, community engagement and cyber security.

## Management Internalisation

In preparation for transition to internalised management, the ALX Audit and Risk Committees and Boards have been reviewing the Risk Management Policy and Framework. Following internalisation, ALX's revised Risk Management Policy will be published on the ALX website.

## Principle 8 Remunerate fairly and responsibly

### Relevant governance documents:

ATLAX People and Remuneration Committee Charter  
ATLIX Remuneration Committee Charter  
ALX Remuneration Report

### 1. Director and ALX Manager Remuneration

The CEO, CFO and other senior executives working for ALX are Macquarie employees and are seconded to ALX under the management arrangements. They are remunerated by Macquarie. While Macquarie consults with ALX Boards regarding their performance reviews, ALX is not privy to their remuneration arrangements. Macquarie has agreed that, for the period whilst Macquarie continues to act as Manager/ Advisor, it will provide details of the remuneration paid to James Hooke by Macquarie in his capacity as ALX CEO and this information is included in the 2018 Remuneration Report.

In preparation for Internalisation, ALX has commenced employing its own staff including the CEO Elect and CFO Elect. Information on the remuneration structure and policies for the new internal management team along with the ALX CEO Elect and CFO Elect remuneration for 2018 is also reported in the Remuneration Report.

A discussion of ALX remuneration arrangements, both in relation to the directors, internal management and the ALX Manager, including in relation to alignment of interest and ALX Manager and staff incentives are set out in the Remuneration Report.

# Corporate Governance Statement

CONTINUED

The ALX Securities (Windows) Trading Policy (which can be found on the ALX website) prohibits the use of derivatives to alter the effective position of securities, including any securities held under any equity based remuneration scheme.

## 2. Remuneration Committee

The ATLAX Board has constituted a People and Remuneration Committee and the ATLI Board has constituted a Remuneration Committee (**Remuneration Committees**), each of which complies with the requirements of the ASX Principles. The Remuneration Committees are comprised as follows:

### ATLAX

#### Current members

David Bartholomew, Chairman from 1 December 2018, Independent non executive director (member since 1 October 2018)

Debra Goodin Independent non executive (Chair until 30 Nov 2018)

Nora Scheinkestel, Independent non executive (member since 1 December 2018)

#### Former members

Richard England, Independent non executive (until 30 November 2018)

John Roberts, Non executive (until 28 September 2018)

### ATLIX

James Keyes, Chairman, Independent non executive

Jeff Conyers, Independent non executive

Nora Scheinkestel, Independent non executive

The ATLAX and ATLI Remuneration Committees each operate under a similar formal charter. The Committees have overall responsibility for reviewing and recommending the compensation for ALX's Key Management Personnel, which as discussed above, in the context of the externally managed structure, are the directors of ATLAX and ATLI. The Remuneration Committees also oversee the

Manager's performance under the ALX Management Agreements and, in 2018, have been responsible for designing a remuneration framework for the group post Internalisation, settling terms for new key executive appointments such as the CEO elect and members of his new team, as well as reviewing and recommending the Remuneration Report. The ATLAX People and Remuneration Committee also oversees the recruitment, employment and development policies for ALX Employees.

Information regarding directors' attendance at ATLAX and ATLI Remuneration Committee meetings held throughout the 2018 financial year is shown below:

ATLAX People and Remuneration Committee Member	Meetings held	Meetings attended
David Bartholomew (Chairman from 1 Dec 2018, member since 1 Oct 2018)	1	1
Debra Goodin (Chairman until 30 Nov 2018, member full year)	3	3
Nora Scheinkestel (from 1 Dec 2018)	0	0
Richard England (until 30 Nov 2018)	3	3
John Roberts (until 28 Sept 2018)	2	2
ATLI Remuneration Committee Member	Meetings held	Meetings attended
James Keyes (Chairman)	3	3
Jeff Conyers	3	3
Nora Scheinkestel	3	3