

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

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

Disclosure Principle	Atlas Arteria Statement and Explanation
<p>1. Key relationships</p> <p>Disclose</p> <p>a) The important relationships for the entity and any other related party arrangements relevant to an investor’s investment decision, including any controlling arrangements, special voting rights or director appointment rights; and</p> <p>b) For any significant infrastructure asset under development:</p> <p>i). Key relationships in the development, including any concessionaire, developer, builder, sponsor, promoter, asset manager, independent expert, financier, joint venture party, issuer or manager; and</p> <p>ii). Key participants that bear material development related risks, including for timing and cost of delivery of the development, procurement and cost of financing for the development, and guaranteeing the performance of other entities.</p>	<p>a) All relevant relationships are fully disclosed in the Atlas Arteria Annual Report. All related party transactions are disclosed in the Related Party Transactions note in the Atlas Arteria Financial Report, and the Corporate Governance Statement details the operation of Atlas Arteria’s governance practices and policies.</p> <p>The key decision-making bodies for Atlas Arteria are the boards of ATLAX and ATLIx whose directors are elected by shareholders on a 3 year rotational basis.</p> <p>b) Paragraph (b) is not applicable to Atlas Arteria because it has no businesses under development.</p>
<p>2. Management and performance fees</p> <p>Disclose</p> <p>a) All fees and related costs associated with the management of the entity’s assets paid or payable directly or indirectly out of the money invested in the entity, providing a clear justification for the fees; and</p> <p>b) If performance fees are payable, how these fees will be paid –</p>	<p>All fees and costs paid or payable in connection with the management of Atlas Arteria are set out in the Atlas Arteria Annual Report and the Atlas Arteria Financial Report.</p>

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

Disclosure Principle	Atlas Arteria Statement and Explanation
<p>for example:</p> <ul style="list-style-type: none">• for mature operating infrastructure assets – explain if and how the performance fees will be paid, including whether these fees are payable only from operating cash flow; and• for operating infrastructure assets in a growth phase and development assets – explain how the performance fees will be paid, whether these fees are funded by debt, capital, the issue of securities or otherwise, and the risks to members in paying performance fees in those way.	
<p>3. Related party transactions</p> <p>Disclose details of any related party arrangements relevant to the investment decision, including:</p> <ol style="list-style-type: none">a) The value of the financial benefit / consideration payable;b) The nature of the relationship;c) Whether the arrangement is on arm's length terms, the remuneration is reasonable, some other Chapter 2E exception applies or ASIC has granted relief;d) Whether member approval of the transaction has been sought and if so when;e) The risks associated with the related party arrangement;f) The policies and procedures in place for entering into these arrangements and how compliance with those policies and procedures is monitored;g) For management agreements with related parties:<ol style="list-style-type: none">i. The term of the agreement;ii. If the fee is payable by the infrastructure entity on termination of the agreement, the method of termination that will incur a fee and details on how that fee is calculated;	<p>The management of Atlas Arteria is fully internalised. Accordingly, there are no relevant related party arrangements to disclose in response to this disclosure principle.</p>

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

Disclosure Principle	Atlas Arteria Statement and Explanation
<ul style="list-style-type: none"> iii. Any exclusivity arrangements in the management agreement; iv. Whether a copy of agreement is available to investors and, if so, how an investor can obtain a copy of the agreement; and\ v. any other arrangements that have the potential or actual effect of entrenching the existing management; and <p>h) For transactions with related parties involving a significant infrastructure asset;</p> <ul style="list-style-type: none"> i. What steps the infrastructure entity took to evaluate the transaction; and ii. If not otherwise disclosed, summary of any independent expert opinion obtained for the transaction and whether, and if so how, an investor can obtain a copy of the opinion. 	
<p>4. Financial ratios</p> <p>Disclose</p> <ul style="list-style-type: none"> a) If target financial ratios have been publicly disclosed, the respective financial ratios actually achieved for the entity and how those target and actual ratios are calculated; and b) An explanation of what the financial ratios mean in practical terms and how investors can use the ratios to determine the entity's level of debt-related risk. 	<p>Atlas Arteria does not publicly disclose target financial ratios.</p>
<p>5. Capital expenditure and debt maturities</p> <p>Disclose</p> <ul style="list-style-type: none"> a) Planned capital expenditure for the next 12 months and how this expenditure is to be funded; and b) A breakdown of material debt maturities for the entity, in the intervals set out in the table, on a consolidated contractual 	<ul style="list-style-type: none"> a) Material planned capital expenditure is disclosed in the Investor Reference Pack and Results Presentation which is available on the Atlas Arteria website. b) Atlas Arteria discloses debt maturities in its Investor Reference Pack and Results Presentation which is available on the Atlas

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

Disclosure Principle	Atlas Arteria Statement and Explanation
<p>basis showing the drawn amount, the undrawn amount, the total drawn and undrawn amount, the percentage of variable interest rate risk, the weighted average interest rate, the percentage of debt that is not limited recourse to a particular asset and whether the debt is fully amortising or requires principal and interest payments.</p>	<p>Arteria website. All business level debt is non-recourse to Atlas Arteria.</p>
<p>6. Foreign exchange and interest rate hedging</p> <p>Disclose</p> <p>a) Any current foreign exchange and interest rate hedging policy for the entity; and</p> <p>b) Whether the entity’s foreign exchange and/or variable interest rate exposure conforms with its foreign exchange and interest rate hedging policy.</p>	<p>Atlas Arteria’s policy is not to hedge the value of its overseas investments or its forecast distribution stream. In relation to interest rates, each of the businesses have their own interest rate hedging policy which is generally aligned to the businesses’ debt documents.</p> <p>Atlas Arteria’s foreign exchange and/or variable interest rate exposure currently conforms to this policy.</p>
<p>7. Base case financial model</p> <p>Disclose</p> <p>a) For acquisitions of a significant infrastructure asset, the following details of an infrastructure entity’s base case financial model:</p> <ol style="list-style-type: none"> i. Key assumptions and source of those assumptions; ii. A confirmation by the directors as to whether or not they consider that the assumptions are reasonable; iii. Any process the directors undertook to satisfy themselves that the assumptions were reasonable, including if an expert provided an opinion on the model, and if so, provide a summary of that expert opinion; iv. The agreed upon procedures check that the assurance practitioner has performed to review the base-case financial model (as per benchmark 6) and any findings which are materially relevant to the investment decision; and v. Any conflicts of interest that may arise in either the 	<p>a) Not applicable as Atlas Arteria’s portfolio of businesses is derived from a restructure of Macquarie Infrastructure Group in 2010 into two new investment vehicles, Intoll Group and MQA (now Atlas Arteria). Since establishment Atlas Arteria has not acquired any new significant infrastructure assets (it has however acquired additional stakes in existing businesses by exercising a pre-emptive rights).</p>

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

Disclosure Principle	Atlas Arteria Statement and Explanation
<p>expert opinion or the agreed-upon procedures check.</p> <p>b) Up to five of the key assumptions in an infrastructure entity's base case financial model that are likely to have the most material impact:</p> <ul style="list-style-type: none"> i. On the operating performance of the entity for at least the next 12 months; or ii. In the case of a development asset, in the first year of operation, demonstrating the impact on the infrastructure and investor entity, if any (and separately if all) of the assumptions were materially less favourable than anticipated <p>c) Also disclose:</p> <ul style="list-style-type: none"> i. A reasonable estimate of the operating capacity of the entity's significant infrastructure assets; ii. For any operating asset developed by the infrastructure entity or completed immediately before the infrastructure entity's ownership, any material discrepancies between any publicly disclosed forecasts and the actual performance for the first 2 years of operation; and iii. Any material discrepancies between the assumptions contained in the infrastructure entity's base case financial model used to raise any debt and the model used to raise any equity, respectively, within six months of each other in the current financial year. 	<p>b) The four key assumptions for Atlas Arteria's base case financial model that are likely to have the most material impact on the operating performance of Atlas Arteria for at least the next 12 months are:</p> <ul style="list-style-type: none"> i. Traffic volumes at each of the businesses it owns. ii. Toll prices at each of the businesses it owns and the impact that this has on revenues. iii. Foreign exchange rates across the areas that Atlas Arteria does business. iv. Refinancing/restructuring assumptions for the debt contained within Atlas Arteria's businesses. <p>c)</p> <ul style="list-style-type: none"> i. Atlas Arteria publishes quarterly traffic and revenue statistics for the businesses in which it has a beneficial interest and these are available on the Atlas Arteria website. An estimate of the operating capacity of Atlas Arteria's significant infrastructure asset is not possible due to its size: APRR is a 2,318 kilometre motorway network. ii. Not applicable as Atlas Arteria has not developed any businesses. iii. Not applicable.
<p>8. Valuations</p> <p>Disclose</p> <ul style="list-style-type: none"> a) Details on the entity's valuation policy; and b) Whether valuations and supporting documentation are 	<p>Neither the ASIC regulatory guide nor the accounting standards require Atlas Arteria to produce market valuations of its assets or to record them in the Group's financial statements.</p> <p>Accordingly, Atlas Arteria does not produce market valuations of its assets</p>

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

Disclosure Principle	Atlas Arteria Statement and Explanation
<p>available to investors and, if so, how they are made available. If valuations and supporting documentation are not available to investors, the infrastructure entity should provide a summary of the valuations (required for significant infrastructure assets only) containing, at a minimum, the following information:</p> <ul style="list-style-type: none"> i. Whether the valuation was prepared internally or externally; ii. The date of the valuation; iii. The scope of the valuation and any limitations on the scope; iv. The purpose of the valuation; v. The value assessed and key assumptions used to determine value; vi. The key risks specific to the infrastructure assets being valued; vii. The valuation methodology; viii. The period of any forecast and terminal value assumptions; ix. The discount rate used and the basis for calculating this rate; and x. The income capital expenditure and capital growth rates over the forecast period; and <p>c) Any circumstances that may result in a conflict of interest arising in the preparation of the valuations.</p>	<p>and has no market valuation policy. Atlas Arteria also does not raise debt or equity based on the market value of its assets.</p> <p>Atlas Arteria conducts calculations for the specific purpose of testing for the any potential impairment of assets at financial year end as required under Australian accounting standards and also prepares limited discounted cash flow projections for the purposes of allocating costs. These specific purpose calculations do not reflect market valuations and may produce substantially different results to the industry practice for arm's length market valuations.</p> <p>Atlas Arteria believes that to release the internal calculations or any information in respect of the internal calculations would be potentially misleading to investors and would not benefit their decision making in respect of an investment in Atlas Arteria.</p> <p>Atlas Arteria would make the additional disclosures required under this principle should it decide to perform and publish a market value valuation of its assets.</p>
<p>9. Distribution Policy</p> <p>Disclose</p> <ul style="list-style-type: none"> a) The current distribution policy and any rights that the entity has to change the policy; b) On payment of distributions, the portion attributable to, for 	<p>Atlas Arteria commenced the payment of distributions in 2013. Distributions are paid out of cash flow derived from Atlas Arteria's businesses after addressing corporate requirements. To date, Atlas Arteria's distributions have comprised foreign sourced income and capital returns.</p>

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

Disclosure Principle	Atlas Arteria Statement and Explanation
<p>example, income, capital and debt; and</p> <p>c) The risks associated with distributions being paid from sources other than operating cash flow, including the sustainability of such distributions.</p>	
<p>10. Withdrawal policy</p> <p>Disclose</p> <p>Whether there is a withdrawal policy together with the information outlined in Disclosure Principle 10 in relation to the withdrawal arrangements.</p>	<p>As a listed entity, this is not applicable to Atlas Arteria.</p>
<p>11. Portfolio diversification</p> <p>Disclose</p> <p>a) Details on whether the infrastructure entity has a portfolio diversification policy and, if so, details of that policy;</p> <p>b) The infrastructure entity's actual portfolio diversification position compared to its portfolio diversification policy; and</p> <p>c) if there is a material variance between the entity's diversification policy and its actual position, an explanation of why the variance exists and the measures being taken to rectify it.</p>	<p>Atlas Arteria does not have a portfolio diversification policy. Atlas Arteria's portfolio is the result of a reorganisation of Macquarie Infrastructure Group in 2010 into two new investment vehicles, Intoll Group and MQA (now Atlas Arteria). Atlas Arteria's portfolio has the following characteristics:</p> <ul style="list-style-type: none"> • a global portfolio, with assets in France, USA and Germany; • a mixture of market based and scheduled toll increases providing revenue growth; and • majority of portfolio value attributed to Atlas Arteria's key businesses, APRR and Dulles Greenway. <p>While Atlas Arteria remains focused on delivering growth in the value of its existing portfolio of toll road investments, Atlas Arteria is open to considering accretive opportunities on a disciplined and selective basis to achieve further diversification.</p>