

## Remuneration Report (audited)

### Introduction

On behalf of the ATLAX and ATLIx People and Remuneration Committees ('PRCs') and Boards, we are pleased to present the Remuneration Report for the 2019 financial year.

The past year has been one of delivery against strategy and a year of significant achievement:

- Following the approval by securityholders for the internalisation of management at the 2018 AGM, the newly appointed internal executive team established the infrastructure, systems and processes to provide the Groups with independent governance and management from 1 April 2019 (6 weeks in advance of the date required under the transition arrangements with Macquarie Fund Advisors Pty Ltd ('Macquarie Advisers')). The transition has been seamless and positions us well to execute our strategy and deliver strong and growing returns to securityholders.
- The removal of Macquarie Advisers as Manager of Atlas Arteria and the internalisation of management resulted in a reduction in management fees from \$114m in 2018 to \$47m in 2019 (covering all management fees payable to the Macquarie Group in that year as well as internal management costs).
- On 20 November 2019, Atlas Arteria executed agreements to acquire a further 6.14% indirect interest in APRR and ADELAC, and to secure direct governance rights in respect of its total indirect interests in APRR and ADELAC. New shareholder agreements were negotiated with Atlas Arteria's co-investors in the APRR structure, and it was agreed to terminate all remaining management agreements with the Macquarie Group ('the APRR Transaction').
- In December 2019, a \$1.35 billion equity capital raising was completed to fund the APRR Transaction and the market capitalisation increased from \$4.28 billion at the end of 2018 to \$6.88 billion at the end of 2019.
- A rate case submission was lodged to support the future toll path at the Dulles Greenway.

In addition, Atlas Arteria experienced a year of positive performance in 2019, with the portfolio continuing to deliver growth in securityholder value and distributions for securityholders. Notable achievements considered further in this Remuneration Report include:

- Total Securityholder Return ('TSR') of 32.2%.
- Continued distribution growth with distributions paid in 2019 of 30 cents per security, an increase of 25% compared to those paid in 2018.
- An increase in Proportionate EBITDA from the underlying investments of 3.1% compared to FY2018.

The FY2019 Short Term Incentive ('STI') Plan comprised two components – one for successful delivery of the internalisation programme from the date of the individual's employment through until the date of internalisation and the second for performance outcomes delivered in the period following internalisation, each proportional to the period of employment in the particular period. Overall awards under the FY2019 STI Plan are between Target and Stretch and are reflective of the performance of the business and management during the year. The outcomes are considered further in the Remuneration Report.

The Boards are continuously looking for opportunities to improve the remuneration structure. We take investor feedback seriously and we will continue to engage with investors in relation to developing the remuneration structure.

During the year the Boards reviewed a number of aspects of the Long Term Incentive Plan ('LTIP'). The review concluded that use of relative TSR as the sole performance hurdle remains appropriate. However, given the location of the Groups' businesses and its business strategy, for future awards under the LTIP, the Boards have adopted a new peer group of OECD-domiciled companies in the Global Listed Infrastructure Organisation ('GLIO') group as a more relevant basis for assessing performance. No changes have been made to the basis of assessing relative TSR under existing LTIP awards. Further information on the review is set out in the Remuneration Report.

We trust you, our securityholders, find the 2019 Remuneration Report provides clear and informative insights into our executive remuneration policies, practices and outcomes.



David Bartholomew  
Atlas Arteria Limited  
People & Remuneration Committee Chair



James Keyes  
Atlas Arteria International Limited  
People & Remuneration Committee Chair

## This Remuneration Report contains the following sections:

1 Introduction
2 Who is covered by this Report
3 Key questions
4 FY2019 performance highlights
5 Remuneration framework for management
6 Remuneration outcomes for FY2019
7 Non-Executive Director fees
8 Remuneration Governance
9 Statutory Disclosures

### 1 Introduction

The Directors of the Groups present the Remuneration Report for the Groups for the year ended 31 December 2019 prepared in accordance with section 300A of the *Corporations Act 2001*. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Reports.

### 2 Who is covered by this Report

This Remuneration Report outlines the remuneration framework and outcomes for the ATLAX Group and Atlas Arteria Key Management Personnel ('KMP'). The obligation under the *Corporations Act 2001* to provide a remuneration report only applies to ATLAX as an Australian listed Group. However, given the stapled security holding structure, the Boards and PRCs of both ATLAX and ATLIX have worked together on the Remuneration Report with the disclosures extended to cover all of the Atlas Arteria KMP.

For the purposes of this report, KMP are those persons having authority and responsibility for planning, directing and controlling the major activities of the Groups. Although taking up their positions on 1 April 2019, the remuneration outcomes of the Managing Director and Chief Executive Officer ('MD & CEO') and the KMP Executives have been disclosed as though they were KMP for the entire year. Information on the management fees paid to Macquarie Group under previous management agreements is provided at Note 6.4.4 to the Financial Reports.

The individuals covered by this Remuneration Report are:

Name	Role	Date of appointment
<b>Management</b>		
Graeme Bevans	Managing Director & Chief Executive Officer	1 April 2019. Appointed CEO – elect 1 May 2018
Nadine Lennie	Chief Financial Officer	1 April 2019. Appointed CFO – elect 16 July 2018
Vincent Portal-Barrault	Chief Operating Officer	1 April 2019. Appointed COO – elect 28 December 2018
<b>Non-Executive Directors</b>		
Nora Scheinkestel	Independent Non-Executive Chairman (ATLAX) and Independent Non-Executive Director (ATLIX)	17 April 2015 (Director of ATLAX from 28 August 2014)
David Bartholomew	Independent Non-Executive Director (ATLAX)	1 October 2018
Debbie Goodin	Independent Non-Executive Director (ATLAX)	1 September 2017
Jean-Georges Malcor	Independent Non-Executive Director (ATLAX)	1 November 2018
Jeffrey Conyers	Independent Non-Executive Chairman (ATLIX)	16 December 2009
James Keyes	Independent Non-Executive Director (ATLIX)	21 February 2013
Derek Stapley	Independent Non-Executive Director (ATLIX)	1 June 2010
Fiona Beck	Independent Non-Executive Director (ATLIX)	13 September 2019
Christopher Leslie	Non-Executive Director (ATLIX)	1 September 2017 (Retired with effect 1 April 2019)

### 3 Key questions

Securityholders gave approval in May 2018 to internalise management and to terminate the management arrangements between Macquarie Advisers and Atlas Arteria. Included below is a summary of the remuneration arrangements for the new management team that apply following internalisation on 1 April 2019. Further details regarding our remuneration arrangements are provided in the remainder of this Remuneration Report.

#### What remuneration principles guided the design of the remuneration framework post internalisation?

We developed the following six principles to underpin the management of the remuneration framework post internalisation. The remuneration principles provide guidance on how remuneration decisions are made and how remuneration outcomes are determined.

The executive remuneration framework should be:	Description
<b>1. Simple</b>	Be simple to understand, implement and communicate
<b>2. Balance short and long-term needs</b>	Support the delivery of the annual business plans, whilst also reflecting the long-term needs of the business
<b>3. Reflect role complexity</b>	Reflect the experience of the executive, complexity/nature of the role and the business compared to the market
<b>4. Reflect our values and behaviours</b>	Encourage appropriate behaviours and actions which are aligned to Atlas Arteria's business strategy, performance and securityholders
<b>5. Specific and differentiated performance outcomes</b>	Reflect specific performance measures which executives have the ability to influence, and allow for differentiation of executive incentive outcomes
<b>6. Securityholder alignment</b>	Encourage executive equity ownership so that executives have 'skin in the game', aligning executives to securityholder returns

#### What changes have been made to the remuneration structure during FY2019 and why?

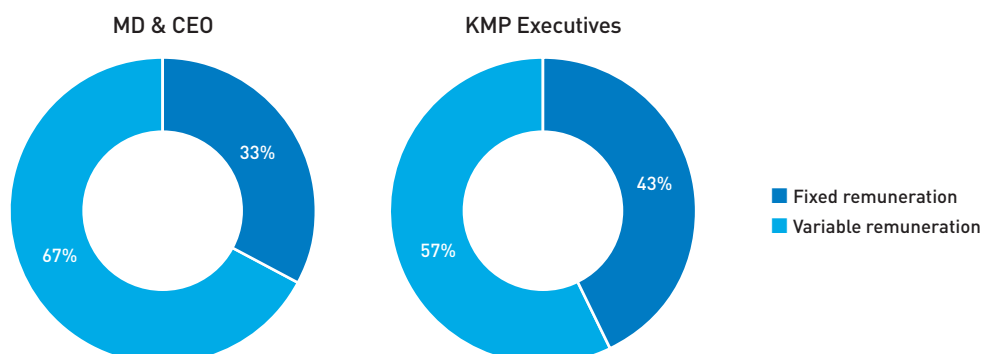
During the FY2019 year, the Boards and the PRCs reviewed a number of aspects of the long term incentive plan and concluded that the following would apply for awards made under the 2020 LTIP award (no changes have been made to the terms of the awards made for previous years):

- We will continue to use relative TSR as a sole performance hurdle given the current strategic focus of the business on longer term value creation and business optimisation. The Boards concluded that measures such as EBITDA or cash flow are not currently the most appropriate performance measures. The Boards acknowledge as the business evolves it may be more appropriate to introduce a suitable further measure/s in addition to relative TSR for assessing LTIP performance;
- We will adopt a new peer group for assessment of relative TSR comprising OECD-domiciled companies in the Global Infrastructure Listed Organisation (GLIO) in respect of future LTIP awards. The GLIO is a relatively new organisation that provides a global platform for information on listed infrastructure companies and includes approximately 125 OECD-domiciled members that represent approximately \$3,765bn in market capitalisation. The GLIO has been selected as it is a larger and less volatile measure than the current peer group and is specific to the infrastructure sector rather than being a mix of infrastructure and property organisations;
- We will use a volume weighted average security price ('VWAP') over a 40 business day period at the start and the end of the performance period for the calculation of TSR performance in place of the current point to point calculation. A 40 business day averaging period for calculating the security price for TSR performance helps to eliminate the impact of short term security price movements on vesting outcomes; and
- We will continue to use a 10 business day VWAP for the period following release of the Groups' annual results for calculating the security price on which to base the number of securities to be issued for each LTIP Award.

#### How are executives remunerated and how is this aligned with Atlas Arteria performance?

The Boards recognise that to build sustainable long-term growth in securityholder wealth, Atlas Arteria must attract and retain talented people and align their interests and behaviours with securityholders' interests.

To do so, the Groups have developed a remuneration framework that aligns executive remuneration and the Groups' performance. The framework aims to achieve a balance between fixed and performance based remuneration and between short and long-term performance incentives. To ensure our remuneration quantum and structure is market competitive, consideration has been given to the market median remuneration of companies of a similar size and complexity to Atlas Arteria.



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Performance based remuneration comprises both short and long term performance components:

- The FY2019 short term incentive component comprised two separate performance periods with different KPIs. The first related to the period from commencement of employment to internalisation (1 April 2019) and the second related to the period following internalisation. The pre-internalisation component was assessed and paid during the year based on achieving key milestones for a successful internalisation ahead of plan. The STI for the period following internalisation was based on an assessment of performance against a balanced scorecard of financial measures (weighted 70%) and non-financial measures (weighted 30%) linked to key financial and business objectives. For further information regarding the performance outcomes and STI structure for the MD & CEO and the KMP Executives, see section 6.
- For the long-term incentive component, Atlas Arteria's TSR performance is assessed relative to selected local and international companies with similar characteristics to ensure there is alignment between the financial interests of executives and securityholders. For further information regarding the LTIP structure (including the changes being introduced for 2020), performance measure, relative TSR comparator group constituents and vesting schedule, see section 5.4.

Information on governance provisions such as clawback, malus, treatment of awards on cessation of employment and change of control are provided in section 8.3.

### What happens to variable remuneration awards in the event there is a change of control?

In the event of a change of control, the Boards have absolute discretion to determine the treatment of STI and LTIP awards. However, if the Boards do not exercise their discretion, the following default treatments will apply:

- **STI:** Cash based STI will be assessed on a pro rata basis and paid at that time based on performance, and deferred STI will vest in full on the basis that it relates to performance targets which have already been achieved.
- **LTIP:** Vesting based on performance to the end of the most recent period and pro-rated for time.

### What did the MD & CEO and KMP Executives receive during FY2019?

The MD & CEO and KMP Executives received fixed remuneration, STI awards delivered in cash and deferred equity and awards under the Groups' LTIP during FY2019.

The STI was awarded in two parts for FY2019 – one part based on successful internalisation of management and the other part based on achievements in operating the business following internalisation.

An LTIP grant was made for FY2019. This LTIP grant will be assessed against the LTIP performance targets and, if the targets are met, will vest following the conclusion of the performance period ending 31 December 2021. For further information regarding the LTIP performance targets, see section 5.4.

## 4 FY2019 performance highlights

During 2019, Atlas Arteria continued to deliver solid operational performance resulting in growth of distributions for securityholders and strong growth in the security price.

### 4.1 Overview of business performance

- TSR of 32.2%.
- Continued distribution growth with distributions paid in 2019 of 30 cents per security, an increase of 25% compared to those paid in 2018.
- Weighted average traffic growth across the network during 2019 increased by 0.7% with weighted average revenue increasing by 2.5%.
- An increase in Proportionate EBITDA from the underlying investments of 3.1% compared to FY2018 as a result of revenue growth and implementation of operational efficiencies.
- Operational efficiencies were implemented across the portfolio to improve customer satisfaction and margins. These include increasing automation of toll collections, improvements to the network such as interchange upgrades, the addition new lanes and operational cost efficiencies.
- The removal of Macquarie Advisers as Manager of Atlas Arteria and the internalisation of management resulted in a reduction in management fees from \$114m in 2018 to \$47m in 2019 (covering all management fees payable to the Macquarie Group in that year as well as internal management costs).
- The APRR Transaction will see Atlas Arteria acquire a further 6.14% indirect interest in APRR and ADELAC, and secure direct governance rights in respect of its total indirect interest in APRR and ADELAC. It will simplify and streamline Atlas Arteria's ownership and governance of APRR and finalise the removal of the Macquarie Group as a manager within the structure, reducing operating costs and complexity.
- A rate case submission was lodged to support the future toll path at the Dulles Greenway.
- A sustainability framework and strategy has been developed with four clear priorities, Safety, Customers & Community, Our People and Environmental Stewardship.

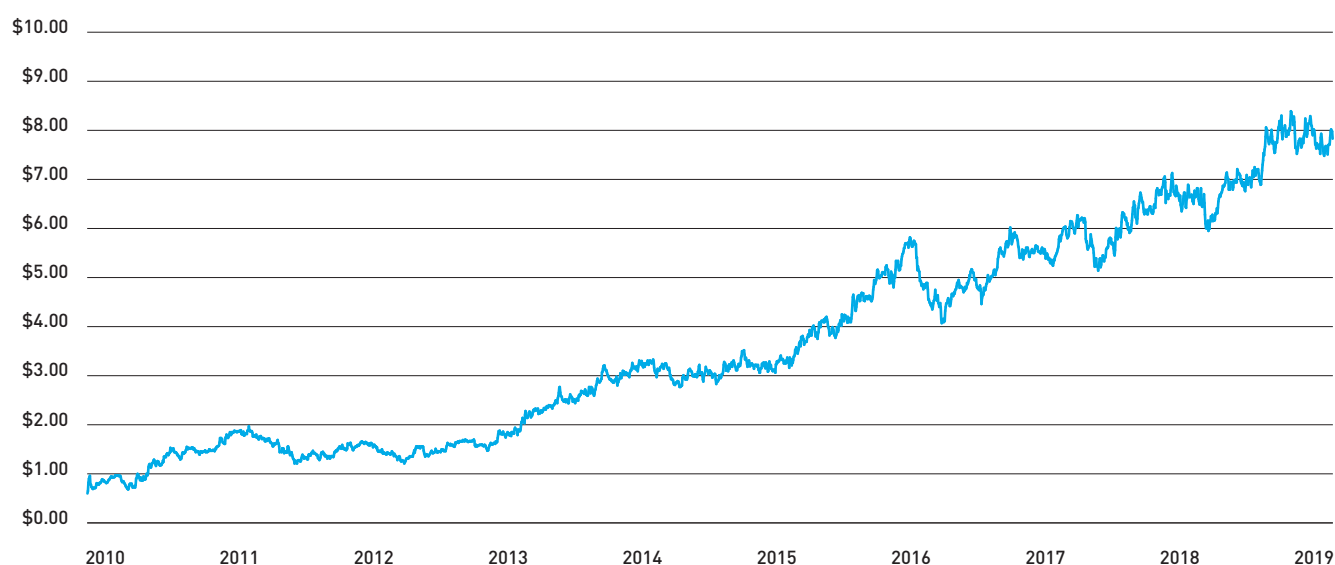
### 4.2 Atlas Arteria's performance

The following table outlines the key financial metrics over the past five financial years up to and including 2019 that underpin the STI and LTI plans.

	2015	2016	2017	2018	2019
Distribution Payments (\$)	0.16	0.18	0.20	0.24	<b>0.30</b>
EBITDA proportionate (\$m) <sup>1</sup>	523.7	562.4	652.8	869.4	<b>922.9</b>
Share price (at year end) (\$)	3.97	4.92	6.19	6.16	<b>7.83</b>
Total Security Return	21.4%	28.8%	30.6%	3.4%	<b>32.2%</b>

1. Proportionate EBITDA from the underlying investments as reported for each financial year

#### ALX security price (2010-2019)



### 5 Remuneration framework for management post internalisation

The remuneration framework for the executive team aims to achieve balance between fixed and performance-based remuneration, between short and long-term performance incentives, and between financial, non-financial and strategic outcomes as well as providing a balance of remuneration received in cash and in securities.

Our objectives for the executive remuneration framework are to ensure that it:

- Is simple to understand, implement and communicate;
- Supports the delivery of the annual business plans whilst also reflecting the long-term needs of the business;
- Reflects the experience of the executive and complexity of the role and business compared to the market;
- Encourages behaviours that are aligned to our business strategy, performance and securityholders;
- Reflects performance measures which our executives have the ability to influence and allows differentiation of executive incentive outcomes; and
- Encourages executive equity ownership so that executives have 'skin in the game' thus aligning executives to securityholders.

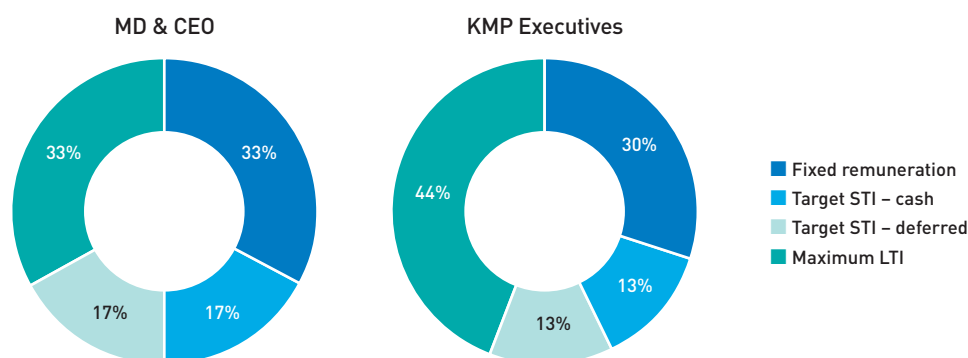
## DIRECTORS' REPORTS

### 5.1 Positioning and mix of executive remuneration

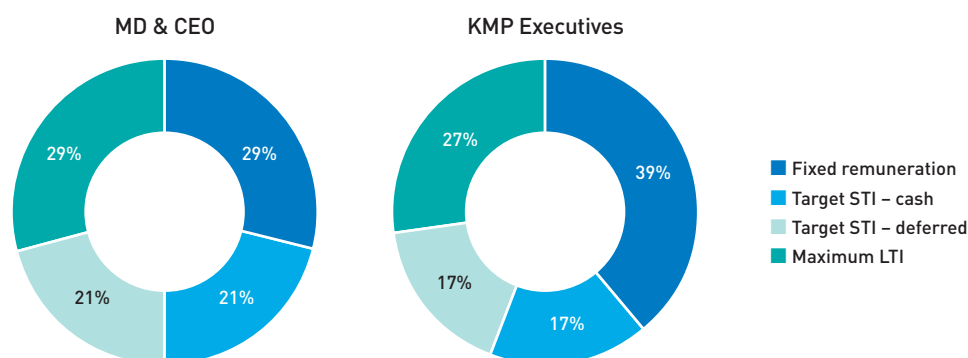
To ensure our remuneration quantum and structure is market competitive, reference is made to the median of a group of comparator companies of similar size and complexity to Atlas Arteria. The primary reference point for market comparisons are the companies with a market capitalisation between 50% to 200% of Atlas Arteria. The remuneration arrangements of selected industry comparators are also considered for each role.

The target and maximum remuneration framework for the MD & CEO and the KMP Executives comprises fixed remuneration, STI and LTI as in the graphs below.

#### Remuneration mix based on achieving 'target' performance



#### Remuneration mix based on achieving 'maximum' performance



Outlined below is further detail regarding the STI and LTI plans for the 2019 financial year.

### 5.2 Fixed pay

Fixed pay recognises the market value of an individual's skills, experience, accountability and their contribution in delivering the requirements of their roles. Fixed pay includes base pay and superannuation.

Following the successful internalisation of management on 1 April 2019 and the subsequent increased scale of Atlas Arteria's operations resulting from the APRR Transaction, the Boards have commenced a review of executive remuneration to ensure our remuneration levels are competitive with companies of similar size and complexity. This review is ongoing and further information on the outcomes of the review will be provided to securityholders in the 2020 Remuneration Report.

### 5.3 Short-term incentive

Executives, middle management and additional participants as determined by the Boards are eligible to participate in the annual STI plan. Details regarding the STI arrangements of the MD & CEO and KMP Executives are set out below. The size of each STI award is capped at an agreed percentage of fixed remuneration for each executive. The value of the STI payment made at the end of the performance period is a function of performance against a balance of financial and non-financial performance measures aligned with Atlas Arteria's annual business plans.

Element	Description
<b>Opportunity</b>	<p>The STI is subject to achievement of defined performance targets, which is delivered 50% in cash and 50% in restricted securities.</p> <p>The target STI opportunity represents an opportunity to earn 100% of fixed remuneration for the MD &amp; CEO and 60% of fixed remuneration for the KMP Executives. When assessing performance, the Boards have discretion to increase or decrease an STI Award subject to an overall cap of 150% of Target.</p>
<b>Performance period</b>	<p>Performance is normally measured over a one year performance period, from 1 January to 31 December. Due to the internalisation of management in FY2019, performance has been measured over two performance periods this year.</p> <ul style="list-style-type: none"> <li>- The performance period for the pre internalisation component of the FY2019 Award is from the date each KMP commenced employment (being 1 May 2018 for the MD &amp; CEO, 16 July 2018 for the CFO, and 28 December 2018 for the COO) to 1 April 2019, the date of internalisation.</li> <li>- The performance period for the post internalisation component of the FY2019 STI is from 1 April 2019 to 31 December 2019.</li> </ul>
<b>STI deferral</b>	<p>To assist in creating alignment with securityholders and in achieving the minimum shareholding requirement, 50% of the STI outcome is deferred into restricted securities for a one year period following the conclusion of the performance period, subject to ongoing service and the discretion of the Boards.</p>
<b>STI objectives</b>	<p>STI objectives were set for FY2019 for the period prior to internalisation based on objectives related to the successful implementation of internalisation and for the period following internalisation based on a combination of financial measures and non-financial measures relating to specific strategic outcomes and taking account of culture and behaviours.</p> <p>FY2020 STI objectives will be set based on a combination of financial measures and non-financial measures relating to specific strategic outcomes and taking account of culture and behaviours.</p>

### 5.4 Long-term incentive

To align with the interests of securityholders, executives and other participants as determined by the Boards are eligible to participate in the LTIP. Details of the LTIP arrangements of the MD & CEO and KMP Executives are set out below. The size of each year's grant is capped at an agreed percentage of fixed remuneration for each executive. The value of the LTIP award made at the end of the vesting period is a function of:

- Atlas Arteria TSR performance relative to a group of Australian and international peer companies (which determines the number of securities granted that vest);
- The change in the price per Atlas Arteria stapled security (which determines the value of each stapled security that vests); and
- The value of distributions that would have been made during the vesting period for the number of securities that vest (Distribution Equivalents).

As a result, management incentives are aligned with the long term interests of securityholders to achieve strong performance relative to peers and to generate an appropriate balance of security price performance and distributions.

During 2019, the Boards and the PRCs reviewed a number of aspects of the LTIP and concluded that the following would apply for awards under the LTIP in 2020 (no changes have been made to the terms of the awards made for previous years):

- 1 We will continue to use relative TSR as the sole performance hurdle given the current strategic focus of the business on longer term value creation and business optimisation. The Boards considered other measures including EBITDA and cash flow and concluded that they are not currently the most appropriate performance measures. The Boards acknowledge as the business evolves it may be appropriate to introduce a suitable further measure/s in addition to relative TSR for assessing LTIP performance;
- 2 We will adopt a new peer group for assessment of relative TSR comprising OECD-domiciled companies in the GLIO. The GLIO is a relatively new organisation that provides a global platform for information on listed infrastructure companies and includes approximately 125 OECD-domiciled members that represent approximately \$3,765bn in market capitalisation. The GLIO has created the GLIO Index of core infrastructure companies which has been selected as it is a larger and less volatile group than the current peer group and is specific to the infrastructure sector rather than being a mix of infrastructure and property organisations;



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- 3 We will use a volume weighted average security price (VWAP) over a 40 business day period at the start and the end of the performance period for the calculation of TSR performance in place of the current point to point calculation. A 40 business day averaging period for calculating the security price for TSR performance helps to eliminate the impact of short term security price movements on vesting outcomes; and
- 4 We will continue to use a 10 business day VWAP for the period following release of the Groups' annual results for calculating the security price used to determine the number of securities to be issued for each LTIP Award.

Element	Description										
<b>Opportunity</b>	<p>The maximum grant value of LTIP opportunities represents 100% of fixed remuneration for the MD &amp; CEO and 70% of fixed remuneration for the KMP Executives. The number of awards is based on face value.</p> <p>For FY2018, the number of instruments granted was determined based on the 10 day VWAP immediately following the 2019 Annual General Meeting (which was held on 15 May 2019).</p> <p>For FY2019 and subsequent years, the number of instruments to be granted is determined based on the 10 day VWAP immediately following the announcement by Atlas Arteria of its annual results.</p> <p>For the MD &amp; CEO, the 2018 and 2019 grants were made in 2019 following approval from securityholders at the 2019 AGM.</p>										
<b>Vehicle</b>	Awards are delivered in the form of performance rights. A performance right is a right to acquire one fully paid Atlas Arteria security, subject to meeting pre-determined performance measures.										
<b>Performance measure</b>	<p>LTIP performance is assessed against relative TSR. Relative TSR was selected as the sole performance measure as it measures security holding value creation objectively, can be used for comparing performance across different jurisdictions and is widely understood and accepted by stakeholders.</p> <p>For the FY2018 and FY2019 grants, Atlas Arteria's TSR performance was assessed against a local and global industry comparator group, comprising Abacus Property Group, APA Group, Aurizon Holdings Limited, AusNet Services, Charter Hall Group, Growthpoint Properties Australia, Qube Holdings Limited, Spark Infrastructure Group, Sydney Airport, Transurban Group, 3i Infrastructure, Cogent Communications Holdings Limited, Eiffage SA, Genesee &amp; Wyoming Inc., Getlink, Macquarie Group Infrastructure Corporation and Zayo Group Holdings, Inc. These companies were selected as they operate in comparable industries, with asset size, market capitalisation, jurisdiction of assets and operational control, in relevant ranges.</p> <p>The comparator group may, at the discretion of the Boards, be adjusted to take into account events during the Performance Period including, but not limited to takeovers, mergers, de-mergers or de-listings, so that the outcome appropriately reflects the circumstances. An adjustment will be made to the peer group to reflect the change of ownership of Genesee &amp; Wyoming which is now in private ownership.</p> <p>The changes to apply for the 2020 LTIP awards are noted above.</p>										
<b>Vesting schedule</b>	<p>Relative TSR performance is assessed on a sliding scale, with vesting determined as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Atlas Arteria's TSR performance</th> <th style="text-align: left;">% vesting</th> </tr> </thead> <tbody> <tr> <td>Below the 51<sup>st</sup> percentile</td> <td>0%</td> </tr> <tr> <td>At the 51<sup>st</sup> percentile</td> <td>50%</td> </tr> <tr> <td>Between the 51<sup>st</sup> percentile &amp; 75<sup>th</sup> percentile</td> <td>Pro rata between 50% &amp; 100%</td> </tr> <tr> <td>At the 75<sup>th</sup> percentile</td> <td>100%</td> </tr> </tbody> </table> <p>The Boards retain discretion to adjust the relative TSR measure in exceptional circumstances if considered appropriate so that participants are neither advantaged nor disadvantaged by matters outside management's control.</p>	Atlas Arteria's TSR performance	% vesting	Below the 51 <sup>st</sup> percentile	0%	At the 51 <sup>st</sup> percentile	50%	Between the 51 <sup>st</sup> percentile & 75 <sup>th</sup> percentile	Pro rata between 50% & 100%	At the 75 <sup>th</sup> percentile	100%
Atlas Arteria's TSR performance	% vesting										
Below the 51 <sup>st</sup> percentile	0%										
At the 51 <sup>st</sup> percentile	50%										
Between the 51 <sup>st</sup> percentile & 75 <sup>th</sup> percentile	Pro rata between 50% & 100%										
At the 75 <sup>th</sup> percentile	100%										
<b>Performance period</b>	Performance is measured over a three year performance period, from 1 January to 31 December. The performance for 2019 grant will be measured from 1 January 2019 to 31 December 2021.										
<b>Vesting and allocation of securities</b>	If and when the Boards determine that the relative TSR performance measure has been achieved, the performance rights will automatically be exercised and the relevant number of securities will be allocated.										
<b>Distribution equivalents</b>	Distribution equivalents will be payable (via a grant of securities or a cash payment, at the Boards' discretion) on performance rights that have vested, to the value of any distributions paid during the performance period in respect of an equivalent number of Atlas Arteria securities.										

In 2020, the Groups are introducing an employee equity plan to enable all corporate employees to become securityholders of the Groups. The plan is being introduced to support employee retention, develop the team with a common purpose, share in the success of the business and for employees to become equity holders and thus increase alignment with securityholders. All corporate employees other than members of the Executive Team who participate in the LTIP Scheme will participate in the plan. Awards to the value of \$5,000 will be made in the form of share rights to corporate employees and vesting will be subject to a 3 year service condition. It is expected the total value of the equity to be awarded annually will be in the order of \$125,000.



## 6 FY2019 Remuneration Outcomes

As noted above, STI performance in respect of FY2019 was assessed based on two performance periods:

- For the period prior to internalisation of management from the date of commencement of employment of each KMP to 31 March 2019, against objectives and targets related to the successful implementation of internalisation; and
- For the period following internalisation from 1 April 2019 to 31 December 2019, based on a combination of financial and non-financial measures.

The performance periods assessed during FY2019 related to performance achievements referable to and expensed over the two financial years – FY2018 and FY2019.

- For the MD & CEO, the Remuneration Report includes STI Awards for the period from 1 May 2018 to 31 March 2019 (8 months applicable to FY2018 and 3 months applicable to FY19) and for the period from 1 April 2019 to 31 December 2019 (9 months applicable to FY2019).
- For the CFO, the Remuneration Report includes STI Awards for the period from 16 July 2018 to 31 March 2019 (5½ months applicable to FY2018 and 3 months applicable to FY19) and for the period from 1 April 2019 to 31 December 2019 (9 months applicable to FY2019).
- For the COO, the Remuneration Report includes STI Awards for the period from 28 December 2018 to 31 March 2019 (3 months applicable to FY2019) and for the period from 1 April 2019 to 31 December 2019 (9 months applicable to FY2019).

The annual assessment process also includes consideration of both what is achieved and how it is achieved taking into account behaviours and by reference to our values. The actual STI outcomes can be adjusted where these expectations are deemed not to have been met. No such adjustments were made for FY2019.

The terms of STI Awards for the MD & CEO and the KMP Executives provide for 50% to be paid in cash and 50% to be withheld and awarded in Restricted Atlas Arteria Securities.

Details of the FY2019 STI Awards for the MD & CEO and KMP Executives are set out below.

### 6.1 Pre internalisation STI Awards

The Pre Internalisation KPI's were established to align the efforts of the executive team with the objective of achieving internalisation of Atlas Arteria management in a manner which ensured a high quality team with systems and processes which enabled a seamless transition and the ongoing effective management of the business at the standard expected of an ASX 100 business.

This objective was achieved by 1 April 2019 without compromise to the standards the Boards set for the successful independent management of the business on a stand-alone basis. The focus during the period prior to internalisation was on building the business to allow for growth and development of strategic opportunities.

Performance for the pre internalisation period has been assessed from the date each of the KMP Executives commenced employment to the date of internalisation, 1 April 2019.

Performance was assessed against the following measures:

6.1.1 MD & CEO				
Performance measures pre internalisation	Performance area	Weighting	Performance outcomes to target	Achievements
	Transition activities	30%	Above Target	Key achievements included recruitment of a high quality Executive Team by 31 December 2018, implementation of all management, financial and administration systems, processes and procedures to enable the Groups to operate as successful stand-alone businesses.
	Transition budget	25%	Target	Internalisation was achieved ahead of plan and within budget.
	Stakeholder engagement	15%	Target	Good relationships established with key stakeholders including securityholders, joint investors and business partners.
	Strategic	30%	Target	Review of the capital structure of the Groups, a risk analysis of the business was undertaken and development of a proposed business strategy for the period immediately following internalisation was developed.
	<b>Total</b>	<b>100%</b>	<b>105.5%</b>	

## DIRECTORS' REPORTS

### 6.1.2 KMP Executives

The MD & CEO's STI objectives for the pre internalisation period were cascaded to the KMP Executives and assessed on a consistent basis with the MD & CEO.

### 6.1.3 Executive STI Outcomes

Based on the performance achievement assessments described above, the following STI Awards were made in respect of achievements relating to the internalisation of management on 1 April 2019.

Name	% of maximum achieved	Value pro rata – cash	Value pro rata – restricted securities	STI forfeited
Graeme Bevans	70%	532,558	532,558	447,384
Nadine Lennie	79%	145,049	145,049	76,465
Vincent Portal-Barrault	57%	39,378	39,378	61,554

## 6.2 Post Internalisation STI Awards

Performance for the post internalisation period has been assessed from the date of internalisation 1 April 2019 to 31 December 2019 against a range of financial and individual measures linked to achieving meaningful business and operational outcomes. In view of the exceptional performance across both financial and non-financial metrics, the Boards exercised discretion to award the capped amount of 150% of Target.

The Performance outcomes assessed for the Post Internalisation period were as follows:

6.2.1 MD & CEO				
Performance measures post internalisation	Performance area	Weighting	Performance outcomes to target	Achievements
	Comprises a combination of the following: – Proportional adjusted EBITDA (reflecting proportional performance of each business adjusted for items determined by the Boards). – Distributions per security – Cashflow available for distribution – Corporate operational expenditure	70%	Between Target and Stretch	Overall financial outcomes were between Target and Stretch. EBITDA was above Target, cash flow available for distribution was between Target and Stretch, Distributions per Security were at Target and Corporate Operational Expenditure was at Stretch
	Conduct a review of OH&S policies and implement best practice policies in each business by 31 December 2019	30%	Stretch	Overall performance was at full stretch for achievements including: – Process improvements to provide an immediate improvement to OH&S systems at Dulles Greenway – the outcome was between Threshold and Target – Agreement reached with all parties for the APRR transaction on terms which were mutually beneficial to all parties – the outcome was at Stretch.
	Restructure APRR including reaching agreement with Macquarie Group, Elffage, ADIA and AORR to end Macquarie Adviser's management of MAF2  Corporate development activity which achieves accretive value for Atlas Arteria			– The transaction was accretive with significant future value to be captured – the outcome was at Stretch.
<b>Total awarded</b>	<b>100%</b>	<b>150%</b>		
These STI awards have been pro-rated to reflect the period from the date of internalisation (1 April 2019) to 31 December 2019.				

## 6.2.2 KMP Executives

As was the position for the STI for the pre internalisation period, the MD & CEO's STI objectives, both financial and non-financial, for the period following internalisation on 1 April 2019 were cascaded to the KMP Executives. Their STI outcomes were assessed on a consistent basis with that of the MD & CEO.

## 6.2.3 Executive STI outcomes

Based on the performance achievement assessments described above, the following STI Awards were made in respect of achievements relating to the performance period following internalisation from 1 April 2019 to 31 December 2019.

Name	% of maximum achieved	Value pro rata – cash	Value pro rata – restricted securities	STI forfeited
Graeme Bevans	100%	618,750	618,750	0
Nadine Lennie	100%	194,063	194,063	0
Vincent Portal-Barrault	100%	202,370	202,370	0

## 7 Non-Executive Director fees

### 7.1 Determination of Non-Executive Director fees

In order to attract and retain high calibre Non-Executive Directors ('NED'), fees are reviewed periodically by the PRCs and set with reference to the market.

A market review of Non-Executive Director fees was undertaken in 2018, which included a review of market benchmarking information for companies of a similar size and complexity to Atlas Arteria (being companies with a market capitalisation between 50% to 200% of Atlas Arteria). The fees for 2019 are set out below:

Fees	ATLAX		ATLIX		
	Chair (AUD)	Member (AUD)	Chair (USD)	Member (USD)	Member (AUD) <sup>1</sup>
<b>Board</b>	\$280,000 <sup>2</sup>	\$140,000	\$160,000 <sup>2</sup>	\$80,000	\$80,000
<b>Audit and Risk Committee</b>	\$30,000	\$15,000	\$18,000	\$9,000	\$9,000
<b>Remuneration Committee</b>	\$30,000	\$15,000	\$18,000	\$9,000	\$9,000
<b>Nominations and Governance Committee</b>	Nil	Nil	Nil	Nil	Nil
<b>Travel fee<sup>3</sup></b>	\$10,000		\$10,000		N/A
<b>Additional ad hoc committee fee</b>	\$2,500 per day		\$1,750 per day	\$1,750 per day	

1. For Australian based director.

2. Committee fees are not payable to the Chairs of the ATLAX or ATLIX Boards.

3. Non-Executive Directors are also be entitled to receive a travel fee of AUD\$10,000 for each occasion where they are required to travel over 8 hours to attend a Board meeting or strategy session.

During 2019, the Boards resolved that there would be no increase in Non-Executive Director fees for 2020.

ATLAX and ATLIX directors are not entitled to Atlas Arteria options or securities or to retirement benefits as part of their remuneration package.

### 7.2 Aggregate fee pool

As approved by securityholders at the 2019 AGM, the aggregate ATLAX Non-Executive Director fee pool is capped at AU\$1,100,000 and the ATLIX Non-Executive Director fee pool is capped at US\$700,000.

## 8 Remuneration Governance

### 8.1 Roles and responsibilities

The table below outlines the roles and responsibilities of the Boards, PRCs, Management and external advisors in relation to the remuneration arrangements of Directors, MD & CEO and the KMP Executives.

The Boards	People & Remuneration Committees	Management	External advisors
Approve remuneration strategy and approves recommendations from the PRCs	Make recommendations to the Boards regarding the remuneration framework, policies and practices for Atlas Arteria as well as remuneration for KMP	Makes recommendations to the PRCs on Atlas Arteria's remuneration framework, policies and practices	Provide independent advice to the PRCs and/or Management on remuneration market data, market practice and other remuneration related matters

The requirement for external remuneration advisor services is assessed in the context of matters the PRCs need to address. External advice is used as a guide but does not serve as a substitute for directors' consideration of the relevant matters. Therefore, no remuneration recommendations, as defined by the *Corporations Act 2001*, were made by external remuneration advisors.

### 8.2 Executive Contracts

The remuneration and other terms of employment for the MD & CEO and KMP Executives are formalised in executive contracts. Key contractual terms in place for FY2019 are outlined below.

	Contract type	Termination notice by either party	Termination notice with cause	Termination notice by KMP for fundamental change in role
<b>MD &amp; CEO</b>	Ongoing	12 months	Immediate without notice period	30 days within 21 days of fundamental change
<b>KMP Executives</b>	Ongoing	6 months	Immediate without notice period	30 days within 21 days of fundamental change

### 8.3 Additional provisions as related to STI and LTIP arrangements

The table below summarises additional arrangements as they relate to the MD & CEO and other KMP Executives.

Provision	STI	LTIP
<b>Clawback / Malus</b>	<p>In the event of:</p> <ul style="list-style-type: none"> <li>– Material non-compliance with any financial reporting requirement or other policies and operating procedures of the Groups;</li> <li>– Fraudulent or dishonest behaviour; or</li> <li>– Misconduct.</li> </ul> <p>The Boards have discretion to determine that some or all deferred STI restricted security awards and unvested LTIP awards are forfeited.</p>	
<b>Cessation of employment</b>	<p>If a participant resigns or is terminated for cause (including gross misconduct), any deferred securities are forfeited and the participant is not entitled to any further payment of cash STI. If a participant leaves for any other reason, subject to Board discretion, the participant will be entitled to a pro rata payment of cash STI subject to performance and deferred securities will normally stay 'on foot' until the end of the deferred period.</p>	<p>If a participant resigns or is terminated for cause (including gross misconduct), unvested performance rights will automatically lapse. If a participant leaves for any other reason, subject to Board discretion, a pro-rata number of unvested performance rights (reflecting the portion of performance period served) will normally stay 'on-foot' to be tested against the performance condition at the end of the original performance period.</p>
<b>Change of control</b>	<p>Upon a change of control:</p> <ul style="list-style-type: none"> <li>– The Boards will determine in their absolute discretion the treatment of the STI opportunity.</li> <li>– Subject to the Boards determining otherwise, cash based STI will be assessed on a pro rata basis and paid at that time based on performance, and deferred STI will vest in full.</li> </ul>	<p>Where a change of control occurs or is likely to occur, the Boards have discretion to determine the treatment of unvested equity awards and the timing of such treatment. In the event the Boards do not exercise their discretion, the LTIP will vest pro rata for time and performance.</p>

### 8.4 Minimum securityholding requirements

Minimum securityholding requirements help ensure there is alignment between the interests of the Directors, KMP and securityholders.

Role	Minimum shareholding	Timing to meet requirement
Non-Executive Directors	100% of annual director base fees	3 years from the later of July 2017 (when the policy was implemented) or from the date of their appointment
MD & CEO	100% of fixed remuneration	5 years from appointment
KMP Executives	50% of fixed remuneration	5 years from appointment

## 9 Statutory disclosures

### 9.1 Executive statutory remuneration disclosures for FY2019

The following table shows the total remuneration for the MD & CEO and KMP Executives for FY2019.

Name	Financial year	Short term benefits			Long term benefits	Share based payments		Total remuneration	Performance based pay %
		Cash salary	Annual leave accrual movement	Cash STI	Superannuation contributions	Value of LTI	Value of STI		
Graeme Bevans	2019	\$1,079,231	(\$21,992)	\$783,637	\$20,767	\$342,505	\$543,035	\$2,747,183	60.8%
	2018	\$696,356	\$60,889	\$367,671	\$33,554	\$109,857	\$185,238	\$1,453,565	45.6%
Nadine Lennie	2019	\$554,228	\$25,078	\$259,714	\$20,767	\$126,860	\$166,055	\$1,152,702	47.9%
	2018	\$256,619	\$21,549	\$79,398	\$9,501	\$28,384	\$41,443	\$436,894	34.2%
Vincent Portal-Barrault	2019	\$583,601	\$4,595	\$241,712	\$16,015	\$141,903	\$116,886	\$1,104,712	45.3%
	2018	\$6,315	\$0	\$1,502	\$170	\$789	\$7,274	\$16,050	59.6%
<b>Total</b>	<b>2019</b>	<b>\$2,217,060</b>	<b>\$7,681</b>	<b>\$1,285,063</b>	<b>\$57,549</b>	<b>\$611,268</b>	<b>\$825,976</b>	<b>\$5,004,597</b>	<b>54.4%</b>
<b>Total</b>	<b>2018</b>	<b>\$959,290</b>	<b>\$82,438</b>	<b>\$448,571</b>	<b>\$43,225</b>	<b>\$139,030</b>	<b>\$233,955</b>	<b>\$1,906,509</b>	<b>43.1%</b>

- Share based expenses included the FV of equity awards. External valuation advice has been used to determine the value of performance rights awarded in the year ended 31 December 2019. The valuation has been made using the Black Scholes Option Pricing Model that includes a Monte Carlo simulation analysis. Details of the fair values of equity awards granted during the year are contained in the foot notes in the table titled Performance rights held during the year at 9.3 below.
- The number of performance rights allocated to each participant is determined based on face value.
- The reported amounts for cash STI and value of STI share based payments includes the STI awards for two performance periods as noted above at section 6.
- The FY2018 disclosures were included on a voluntary basis as the named individuals were not KMP for that year. Given they are now KMP for FY2019, comparative information for all remuneration elements have been included.

## DIRECTORS' REPORTS

### 9.2 Non-Executive Director statutory remuneration disclosures for FY2019

The following table shows the fees paid to Non-Executive Directors of ATLAX and ATLIX for FY2019.

Name	Financial year	ATLAX fees (AUD)			ATLIX fees		
		Cash salary and fees	Superannuation	Total	Cash salary and fees	Superannuation	Total
Nora Scheinkestel	2019	\$269,233	\$20,767	\$290,000	90,736 (AUD)	7,264 (AUD)	98,000 (AUD)
	2018	\$189,710	\$20,290	\$210,000	83,750 (AUD)	-	83,750 (AUD)
David Bartholomew <sup>1,4</sup>	2019	\$172,100	\$15,400	\$187,500	-	-	-
	2018	\$32,380	\$3,037	\$35,417	-	-	-
Debbie Goodin <sup>1,3</sup>	2019	\$190,365	\$17,135	\$207,500	-	-	-
	2018	\$162,864	\$15,261	\$178,125	-	-	-
Jean-Georges Malcor <sup>5</sup>	2019	\$184,340	\$660	\$185,000	-	-	-
	2018	\$24,583	-	\$24,583	-	-	-
Jeffrey Conyers <sup>2</sup>	2019	-	-	-	179,250 (USD)	-	179,250 (USD)
	2018	-	-	-	120,000 (USD)	-	120,000 (USD)
Fiona Beck <sup>2,6</sup>	2019	-	-	-	41,292 (USD)	-	41,292 (USD)
	2018	-	-	-	-	-	-
James Keyes	2019	-	-	-	116,000 (USD)	-	116,000 (USD)
	2018	-	-	-	85,000 (USD)	-	85,000 (USD)
Derek Stapley	2019	-	-	-	111,762 (USD)	-	111,762 (USD)
	2018	-	-	-	92,500 (USD)	-	92,500 (USD)
Richard England <sup>8</sup>	2019	-	-	-	-	-	-
	2018	\$136,826	\$14,424	\$151,250	-	-	-
Christopher Leslie <sup>7</sup>	2019	-	-	-	24,500 (USD)	-	24,500 (USD)
	2018	-	-	-	85,000 (USD)	-	85,000 (USD)
John Roberts <sup>9</sup>	2019	-	-	-	-	-	-
	2018	\$105,000	-	\$105,000	-	-	-
<b>Totals</b>	<b>2019</b>	<b>\$816,038</b>	<b>\$53,962</b>	<b>\$870,000</b>	<b>\$764,749</b>	<b>\$7,264</b>	<b>\$772,013</b>
<b>Totals</b>	<b>2018</b>	<b>\$651,363</b>	<b>\$53,012</b>	<b>\$704,375</b>	<b>\$598,461</b>	<b>-</b>	<b>\$598,461</b>

1. Additional fees for duties performed as a member of the due diligence committee in respect of the Equity Raise.
2. Additional fees for duties performed as a member of the due diligence committee in respect of the APRR Transaction and the Equity Raise.
3. One off fee in FY2018 of AUD\$20,000 for additional duties performed for internalisation.
4. Commenced as a Non-Executive Director, effective 1 October 2018.
5. Commenced as Non-Executive Director, effective 1 November 2018.
6. Commenced as a Non-Executive Director, effective 13 September 2019.
7. Ceased to be a Non-Executive Director 1 April 2019.
8. Ceased to be a Non-Executive Director on 30 November 2018.
9. Ceased as a Non-Executive Director on 28 September 2018.

### 9.3 Equity instrument disclosures relating to KMP

#### Security holdings

The table below outlines the number of ordinary securities held by each KMP including their personally related parties, as at 31 December 2019, and the minimum security holding requirements. Non-Executive Directors have acquired their security holdings from their personal resources on market and in accordance with Atlas Arteria's trading policy. Executives acquire their security holdings from awards that vest under the Groups' equity plans. All Directors and Executives are tracking to meet their security holding requirement. All Directors took up their direct entitlements in full, to the extent that they were eligible to participate, in the Entitlement Offer dated 21 November 2019.

#### Non-Executive Directors

Name	Balance at 1 January 2019	Changes	Balance at 31 December 2019 <sup>3</sup>	Value at 31 December 2019 <sup>1</sup>	Minimum security holding requirement <sup>2</sup>	Date security holding to be attained
Nora Scheinkestel	78,431	25,393	103,824	\$812,942	\$220,000	Jul-20
Debbie Goodin	5,671	20,908	26,579	\$208,114	\$140,000	Sep-20
David Bartholomew	0	20,506	20,506	\$160,562	\$140,000	Oct-21
Jean-Georges Malcor	0	20,238	20,238	\$158,464	\$140,000	Nov-21
Jeffrey Conyers <sup>4</sup>	40,000	2,381	42,381	\$331,843	\$114,188	Jul-20
James Keyes	5,000	952	5,952	\$46,604	\$114,188	Jul-20
Derek Stapley	5,000	21,666	26,666	\$208,795	\$114,188	Jul-20
Fiona Beck	0	8,333	8,333	\$65,247	\$114,188	Sep-22
Christopher Leslie <sup>5</sup>						N/A

1. Based on the closing price of Atlas Arteria securities on 31 December 2019 of \$7.83. The requirement is assessed at the higher of the purchase price or market value of the securities.
2. The minimum security holding requirement for ATLIX Board members has been converted to AUD at 31 December 2019 exchange rate of AUD\$1 = USD\$0.7006.
3. Includes securities acquired in the Entitlement Offer.
4. Due to regulatory constraints, unable to participate in the Entitlement Offer.
5. Ceased to be a Non-Executive Director 1 April 2019.

#### MD & CEO and KMP Executives

Name	Balance at 1 January 2019	Changes	Balance at 31 December 2019	Value at 31 December 2019 <sup>1</sup>	Minimum security holding requirement <sup>2</sup>	Date security holding to be attained
Graeme Bevans	0	90,731	90,731	\$710,424	\$1,100,000	May-23
Nadine Lennie	0	20,758	20,758	\$162,535	\$287,500	Jul-23
Vincent Portal-Barrault	0	5,636	5,636	\$44,130	\$299,808	Dec-23

1. Based on the closing price of Atlas Arteria securities on 31 December 2019 of \$7.83. The requirement is assessed at the higher of the purchase price or market value of the securities.
2. The minimum security holding requirement for Luxembourg executives has been converted to AUD at 31 December 2019 exchange rate of AUD\$1 = Euro 0.6254.



## DIRECTORS' REPORTS

### Options

No options over unissued ordinary securities of Atlas Arteria existed or were granted to KMP during FY2019.

### Performance rights held during the year

The numbers of rights over ordinary securities in the Groups held during the financial year by each KMP Executive, including their related parties, as well as the value of performance rights granted or exercised are set out in the tables which follow. Vesting is subject to achieving challenging performance targets over the performance period.

Name	Balance at 31 December 2018	Granted in the year ended 31 December 2019 <sup>1</sup>	Exercised in the year ended 31 December 2019	Lapsed in the year ended 31 December 2019	Balance at 31 December 2019	Unvested at 31 December 2019	Value of share rights granted during the year <sup>2</sup>
	#	#	#	#	#	#	\$
Graeme Bevans		276,758	0	0	276,758	276,758	1,029,694
Nadine Lennie		101,268	0	0	101,268	101,268	368,478
Vincent Portal-Barrault		104,458	0	0	104,458	104,458	376,520

1. The number of Performance Rights granted during the year includes rights awarded under the FY2018 and the FY2019 Long Term Incentive Awards which are subject to performance hurdles.

2. External valuation advice has been used to determine the value of the Performance Rights awarded during year ended 31 December 2019. The valuation was made using the Black Scholes Option Pricing Model that includes a Monte Carlo simulation analysis. The value per instrument of the Share Rights granted during the year were \$3.84 (1 May 2018), \$3.65 (16 July 2018) and \$3.57 (28 December 2018), for the Performance Rights granted in respect of FY18 and \$3.63 (1 January 2019) in respect of Performance Rights granted for FY19.

### Unvested STI Equity Awards during FY2019

During FY2019 deferred securities equal to 50% of their Awards under the Groups' STI Plan were granted to the MD & CEO and the KMP Executives. The securities are restricted for 12 months. Details of the Awards are as follows:

Name	Balance at 31 December 2018	Granted in the year ended 31 December 2019	Vested in the year ended 31 December 2019	Lapsed in the year ended 31 December 2019	Balance at 31 December 2019	Unvested at 31 December 2019	Value of restricted securities granted during the year
	#	#	#	#	#	#	\$
Graeme Bevans		76,214	0	0	76,214	76,214	532,558
Nadine Lennie		20,758	0	0	20,758	20,758	145,049
Vincent Portal-Barrault		5,636	0	0	5,636	5,636	59,395

### 9.4 Loans to directors or related parties

There were no loans to directors or related parties during FY2019.

### 9.5 Other transactions with KMP

There were no other transactions with KMP.