AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION REGULATORY GUIDE 231:
Infrastructure entities: Improving disclosure for retail investors

atlasArteria

BENCHMARKS

Benchmark 1: Corporate structure management		
	Statement and Explanation	**Reference**
The infrastructure entity's corporate governance policies and practices conform with the principles and recommendations in ASX Listing Rules Guidance Note 9, Disclosure of Corporate Governance Practices.	The benchmark is met.	For additional disclosure on this benchmark, refer to Atlas Arteria's 2023 Corporate Governance Statement and Appendix 4G.
Benchmark 2: Remuneration of management		
	Statement and Explanation	**Reference**
Incentive-based remuneration paid to management for the infrastructure entity is derived from the performance of the infrastructure entity and not the performance of other entities within its consolidated group, except where the infrastructure entity is the parent of the consolidated group.	The benchmark is met.	For additional disclosure on this benchmark, refer to the Remuneration Report in the Atlas Arteria 2023 Annual Report.
Benchmark 3: Class of units and shares		
	Statement and Explanation	**Reference**
All units or shares are fully paid and have the same rights.	The benchmark is met.	For additional disclosure on this benchmark, refer to the Contributed Equity note in the Atlas Arteria 2023 Annual Report.
Benchmark 4: Substantial related party transactions		
	Statement and Explanation	**Reference**
The infrastructure entity complies with ASX Listing Rule 10.1 for substantial related party transactions.	The benchmark is met for substantial related party transactions between Atlas Arteria and entities outside the Atlas Arteria group. Shareholder approval would be sought as required under Listing Rule 10.1 for substantial transactions with related parties. The benchmark is not met for substantial related party transactions between the stapled entities which	For additional disclosure on this benchmark, refer to the Related Party Disclosures note in the Atlas Arteria 2023 Annual Report.

	comprise Atlas Arteria and their controlled entities. As is usually the case with stapled entities, Atlas Arteria has obtained ASX waivers to permit transactions (without the need to comply with the related party transaction requirements of the ASX listing rules between the Atlas Arteria stapled entities and their controlled entities given that they are part of a self-contained economic group with the same shareholders.	
Benchmark 5: Cash flow forecast		
	Statement and Explanation	**Reference**

The infrastructure entity has, for the current financial year, prepared and had approved by its directors:
• A 12-month cash flow forecast for the infrastructure entity and has engaged an independent, suitably qualified person or firm to provide, in accordance with the auditing standards:
  ○ Negative assurance on the reasonableness of the assumptions used in the forecast; and
  ○ Positive assurance that the forecast is properly prepared on the basis of the assumptions and on a basis consistent with the accounting policies adopted by the entity.
 	
An internal unaudited cash flow forecast for the remaining life, or the right to operate (if less), for each new significant infrastructure asset acquired by the infrastructure entity.
	The benchmark is not met.
	
	Atlas Arteria produces a rolling 5-year cash flow forecast which is reviewed by the Boards on a semi-annual basis. This forecast is also provided to Atlas Arteria's auditors in the process of determining the appropriateness of preparing financial statements under the going concern methodology. The directors regard this as adequate in the context of routine operations, to demonstrate Atlas Arteria's ongoing capacity to meet its commitments.
	
	Atlas Arteria maintains internal unaudited cash flow forecasts for each of its toll roads.
		Not applicable.

Benchmark 6: Base-case financial model		
	Statement and Explanation	**Reference**

Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the infrastructure entity's base-case financial model that:
 	
• Checks the mathematical accuracy of the model, including that:
    ○ The calculations and functions in the model are in all material respects arithmetically correct; and
    ○ The model allows changes in assumptions, for defined sensitivities, to correctly flow through to the results; and
• Includes no findings that would, in the infrastructure entity's opinion, be materially relevant to the infrastructure entity's investment decision.
	The benchmark is not met.
	
	Atlas Arteria has the internal capability to maintain its financial models. These models are updated at least semi-annually and undergo internal review procedures by senior management.
	
	An independent assurance practitioner is engaged to perform a model audit (which includes an agreed-upon procedures check) on Atlas Arteria's base-case financial models periodically. Base case models include the Atlas Arteria corporate cash flow model and individual models for each of our businesses (APRR, Warnow, Dulles Greenway, Chicago Skyway). Some of these financial models have been externally audited within the last 3 years (for example the Chicago Skyway model was audited in 2022 as part of the acquisition process) while others have been audited over 3 years ago.
	
	Before any material transaction an independent model audit is completed on the base case financial model relevant for that business/transaction.
		Not applicable.

Benchmark 7: Performance and forecast		
	Statement and Explanation	**Reference**
For any operating asset developed by the infrastructure entity, or completed immediately before the infrastructure entity's ownership, the actual outcome for the first two years of operation equals or exceeds any original publicly disclosed forecasts used to justify the acquisition or development of the asset.	This is not applicable as Atlas Arteria has not publicly disclosed any assumptions or forecasts.	Not applicable.

Benchmark 8: Distributions		
	Statement and Explanation	**Reference**
If the infrastructure entity is a unit trust, it will not pay distributions from scheme borrowings.	This is not applicable as Atlas Arteria is not a unit trust.	Not applicable.

Benchmark 9: Updating the unit price		
	Statement and Explanation	**Reference**
If the infrastructure entity is unlisted and a unit trust, after finalising a new valuation for an infrastructure asset, the infrastructure entity reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.	This is not applicable as Atlas Arteria is not an unlisted unit trust.	Not applicable.

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DISCLOSURE PRINCIPLES

Disclosure principle 1: Key relationships
All relevant relationships are fully disclosed in Atlas Arteria's Annual Report. All related parties are disclosed in the Related Party Transactions note in Atlas Arteria's Annual Report, and the Corporate Governance Statement sets out Atlas Arteria's governance practices and policies. Atlas Arteria is a stapled structure consisting of Atlas Arteria Limited (ATLAX) (an Australian public company) and Atlas Arteria International Limited (ATLIX) (an exempted mutual fund company incorporated in Bermuda). The two entities, together "Atlas Arteria", own and manage the interests of the portfolio being APRR, ADELAC, Warnow Tunnel, Chicago Skyway and Dulles Greenway. Any non-executive director of ATLAX is required to stand for re-election at least once every three years in compliance with the ASX Listing Rules. A director of ATLIX must not hold office (without re-election) past the third Annual General Meeting after which the director was elected or re-elected, and at every AGM, one third of directors not otherwise up for election, must stand for re-election. In addition, as contemplated by the Atlas Arteria Co-operation Deed, the ATLIX Board includes a director of ATLAX to facilitate and promote co-operation and consultation between the ATLIX and ATLAX Boards.
Disclosure principle 2: Management fees
APRR pays an annual fee to Eiffage under a services agreement agreed in 2019 for external services such as treasury, human resources, internal audit and government relations. The annual fee is the lesser of (i) €14.3m indexed at French CPI excluding tobacco; or (ii) 0.55% of revenues. There are no performance fees payable by Atlas Arteria.
Disclosure principle 3: Related party transactions
Related party transactions are disclosed in the Related Party Disclosures note in the Atlas Arteria 2023 Annual Report.
Disclosure principle 4: Financial ratios
Atlas Arteria does not publicly disclose target financial ratios (other than targets relevant to incentive plans for Key Management Personnel – refer to Remuneration Report). Instead, Atlas Arteria targets an optimal capital structure at each of its businesses backed by investment grade credit ratings where possible. Atlas Arteria publishes all financial covenant ratios under its debt facilities and publishes performance against those ratios in the Investor Reference Pack every six months.

Disclosure principle 5: Capital expenditure and debt maturities
Material planned capital expenditure is disclosed in the Results Presentation. Information on debt maturities and debt information (including drawn and undrawn amounts, fixed vs variable and interest rates) is disclosed in the Investor Reference Pack and Results Presentation which is available on the Atlas Arteria website. All business level debt is non-recourse to Atlas Arteria which is disclosed in Financial Statements.
Disclosure principle 6: Foreign exchange and interest rate hedging
The Groups' activities expose them to a variety of financial risks, including but not limited to market risk (including foreign exchange risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Risk Management Policy and Framework is implemented by management under policies approved by the Boards. Management identifies, quantifies and qualifies financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity. Atlas Arteria's policy is not to hedge the value of its overseas investments or its forecast distribution stream over the longer term, however the Groups may from time to time hedge the short-term foreign exchange exposure on an upcoming distribution where guidance has been announced. Atlas Arteria's foreign exchange and interest rate hedging policy and exposures are disclosed in the Financial Risk and Capital Management note in the Atlas Arteria's Annual Report.
Disclosure principle 7: Base-case financial model
There have been no significant acquisitions over the last 12 months. The base-case financial models utilise a bottom-up approach to forecast cashflows to the end of each concession. It is based on a set of long-term assumptions, the most material being traffic, toll prices, operating costs, capital expenditure and financing costs at each of the businesses and assumptions on foreign exchange rates. Traffic assumptions are based upon historical observations, demographics and economic growth forecasts. Toll price assumptions are based on the relevant toll escalation frameworks and macroeconomic projections for toll formulas with CPI or GDP linkages. Atlas Arteria does not publicly disclose assumptions or forecasts in relation to their base-case financial models or to justify an acquisition or development of toll roads.
Disclosure principle 8: Valuations
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. Accordingly, Atlas Arteria does not produce market valuations of its assets and has no market valuation policy. Atlas Arteria also does not raise debt or equity based on the market value of its assets.

Atlas Arteria prepares internal valuations 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.
Disclosure principle 9: Distribution policy
Not applicable as Atlas Arteria is not a unit trust.
Disclosure principle 10: Withdrawal policy
This is not applicable as Atlas Arteria is a listed entity.
Disclosure principle 11: Portfolio diversification
Atlas Arteria does not have a portfolio diversification policy. Today Atlas Arteria consists of five businesses. That includes a 30.82% interest in the APRR toll road group in France. Incorporated within the APRR toll road group is the smaller ADELAC business which connects to APRR in south-east France. Together APRR and ADELAC comprise a 2,424km motorway network located in the East and South-East of France. In the US, Atlas Arteria owns a 66.67% interest in the Chicago Skyway, a 12.5km toll road in Chicago and have 100% of the economic interest in the Dulles Greenway, a 22km toll road in the Commonwealth of Virginia. In Germany, Atlas Arteria owns 100% of the Warnow Tunnel in the north-east city of Rostock.