

2018 Corporate Governance Statement

This statement outlines the key aspects of the corporate governance framework and main governance practices of Transurban Holdings Limited (**THL**), Transurban International Limited (**TIL**) and Transurban Holding Trust (**THT**) (collectively referred to as **Transurban**). Copies or summaries of certain governance documents referred to in this statement can be found in the "Corporate Governance" section of the Transurban website at transurban.com. These charters, policies and procedures are regularly reviewed and updated to ensure that they remain consistent with the Board's objectives, applicable law, and best practice governance.

Throughout the year ended 30 June 2018 (the **reporting period**), Transurban's governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (the **ASX Principles and Recommendations**). The following table indicates where the ASX Principles and Recommendations are dealt with in this statement:

ASX Principles and Recommendations	Section reference
Principle 1 — Lay solid foundations for management and oversight	1, 2, 3, 4
Principle 2 — Structure the Board to add value	2, 3
Principle 3 — Act ethically and responsibly	4
Principle 4 — Safeguard integrity in corporate reporting	3, 5
Principle 5 — Make timely and balanced disclosure	6
Principle 6 — Respect the rights of security holders	7
Principle 7 — Recognise and manage risk	3, 8
Principle 8 — Remunerate fairly and responsibly	3

Transurban's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in this statement, in Transurban's 2018 Annual Report and on Transurban's website, was lodged with this statement with the ASX on 7 September 2018.

The Board of THL, the Board of TIL, and the Board of Transurban Infrastructure Management Limited (**TIML**), as responsible entity of THT, are collectively referred to as the **Board** in this statement, unless otherwise indicated.

1. Role of the Board

Relevant governance documents:

Board Charter

The Board is accountable to security holders for the performance of Transurban.

The Board has a Charter that sets out its authority, responsibilities and membership, and the arrangements by which it operates. The Charter also clearly establishes the relationship between the Board and management. The Board reviewed the Charter during the reporting period to ensure its continued appropriateness and to ensure that the Board discharged its obligations as set out in that document.

The primary roles of the Board are to provide overall strategic guidance for Transurban and effective oversight of management in its implementation of Transurban's core business, strategic objectives, values and performance generally. To this end, the Board has reserved to itself the specific responsibilities listed in the Charter. To assist it in discharging these responsibilities, the Board has established Committees to give detailed consideration to key issues.

The Board has delegated to the Chief Executive Officer (**CEO**), and through the CEO to other Senior Executives, responsibility for the day-to-day management of Transurban. The scope of, and limitations to, these delegations are clearly documented and cover areas such as operating expenditure, capital expenditure and investments. These delegations balance effective oversight with appropriate empowerment and accountability of Senior Executives.

2. Board structure and composition

Relevant governance documents:

Board Charter

Policy and Procedure for the Nomination, Selection and Appointment of New Non-Executive Directors and the Re-Election of Incumbent Non-Executive Directors

Diversity Policy

2.1 BOARD STRUCTURE

The Board is structured so that its membership provides the mix of qualifications, skills and experience to enable it to discharge its responsibilities, and so that its size facilitates effective discussion and efficient decision making. The Board determines its size and composition, subject to the constitutions of THL, TIML, and TIL, and applicable law.

The Board of THL, the Board of TIML, and the Board of TIL have common Directors and meetings are held concurrently. The Board currently comprises ten Directors, with nine Non-executive Directors, including the Chair, and one Executive Director, the CEO. On 10 April 2018, Transurban announced the appointment of Mark Birrell as a Non-executive Director, effective 1 May 2018.

Each Director, and his or her length of service, is listed below. Each Director's skills, qualifications, experience, relevant expertise and year of appointment are set out in the Directors' Report in Transurban's Annual Report.

Non-executive Director	Period in office (as at 31 August 2018)	
Lindsay Maxsted, Chair	10 years and 6 months	
Neil Chatfield	9 years and 6 months	
Rodney Slater	9 years and 2 months	
Robert Edgar	9 years and 1 month	
Samantha Mostyn	7 years and 8 months	
Christine O'Reilly	6 years and 4 months	
Peter Scott	2 years and 6 months	
Jane Wilson	1 year and 9 months	
Mark Birrell	4 months	Average NED tenure 6.31 years
Executive Director	Period in office (as at 31 August 2018)	
Scott Charlton, CEO	6 years and 2 months	

2.2 DIRECTOR INDEPENDENCE

The Board recognises the important contribution that independent Directors make to good corporate governance. Each Director is required to act in the best interests of Transurban and is expected to exercise unfettered and independent judgement.

The Board must, and does, comprise a majority of independent Non-executive Directors, and have an independent Non-executive Chair. The roles of the Chair and the CEO must be, and are, exercised by separate individuals.

The Board defines an independent Director as a Non-executive Director who is free of any interest, position, affiliation or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Transurban and its security holders generally.

In assessing the independent status of a Non-executive Director, the Board considers the 'factors relevant to assessing the independence of a Director' set out in the ASX Principles and Recommendations and other facts, information and circumstances that the Board considers relevant. The Board considers an interest or relationship to materially influence independent judgement where it is of such substance and consequence, and there is a real and sensible possibility, that it would affect a Director's judgement across any aspects of his or her role.

The Board assesses the independence of new Directors upon appointment and reviews the independence of all Directors annually. Each Director is required to provide the Board with all relevant information to enable it to make this assessment. Directors do not participate in deliberations regarding their own independence.

The Board has reviewed the interests, positions, affiliations and relationships of the current Non-executive Directors, including the Chair. The Board considers each of them to be independent.

Lindsay Maxsted, Neil Chatfield, Christine O'Reilly, Rodney Slater and Samantha Mostyn each hold positions in companies or with firms with which Transurban has commercial relationships, as described in the Remuneration Report which forms part of the Directors' Report in Transurban's Annual Report. The Board has considered each case separately and, having regard to the nature and value of the commercial relationships, has concluded that these positions do not influence the relevant Director's capacity to exercise independent judgement or their ability to act in the best interests of Transurban and its security holders. None of Mr Maxsted, Mr Chatfield, Ms O'Reilly, Mr Slater, nor Ms Mostyn were, or are, involved in any procurement or other Board decision making regarding the companies or firms with which they have an association.

A member of Mr Maxsted's immediate family is a partner of PwC, Transurban's external auditor. The Board has considered the circumstances of this relationship, including the fact that Mr Maxsted's family member is not a partner in PwC's audit practice and has not previously undertaken, nor will in the future undertake, work of any nature for Transurban and concluded that the relationship does not materially interfere with Mr Maxsted's capacity to exercise independent judgement nor his ability to act in the best interests of Transurban and its security holders.

In considering the independence of the current Non-executive Directors, the Board considered each Director's tenure and concluded that none of Mr Maxsted, Mr Chatfield, Mr Slater, nor Dr Edgar had held office for such a period as to compromise his independence. In reaching this conclusion the Board noted that each Director retained independence of character and judgement, and had not formed associations with management (or others) that might compromise his ability to exercise independent judgement, and that it was both appropriate and important for Mr Maxsted, Mr Chatfield and Dr Edgar to each serve all or part of a fourth term to facilitate coordinated Director succession planning.

2.3 DIRECTOR TENURE, RETIREMENT AND ELECTION / RE-ELECTION

Each Non-executive Director's term of appointment is subject to the provisions of the Corporations Act, the ASX Listing Rules, and the constitutions of THL, TIML and TIL.

New Non-executive Directors (appointed by the Board during the year) are required to seek election as a Director at the Annual General Meeting (**AGM**) following their appointment, and then re-election on a rotational basis with the other Directors. No Director of THL, TIML or TIL (other than the CEO) may hold office without re-election past the third AGM following their appointment or three years, whichever is longer.

Board support for Directors retiring and seeking re-election is not automatic. Prior to each AGM, the Board determines whether it will recommend to security holders that they vote in favour of the re-election of each Non-executive Director seeking re-election, having regard to any matters the Board considers relevant, including the Director's performance and tenure.

Transurban provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Non-executive Director in the AGM notice of meeting.

The Board does not set fixed tenure limits for Non-executive Directors. It is the Board's intention that Non-executive Directors serve up to three terms, other than the Chair who may serve up to four terms, however tenure remains a matter for the Board's discretion on a case-by-case basis. As noted above, from time-to-time, it may be appropriate for certain long serving Non-executive Directors, other than the Chair, to serve all or part of a fourth term to facilitate coordinated succession planning.

In the case of Non-executive Directors who are standing for re-election at an AGM but who intend to retire from the Board within their next term, this intention to retire will be clearly disclosed in the AGM notice of meeting.

2.4 NOMINATION AND APPOINTMENT OF NEW DIRECTORS

The Board has established a policy and procedure for the nomination, selection and appointment of new Non-executive Directors.

A regular assessment of the range of qualifications, skills, experience, and diversity of gender, age, experience, relationships and background on the Board is undertaken to enable the identification of particular competencies and perspectives that will best increase the Board's effectiveness. The assessment is assisted by the development and use of a 'skills matrix' to identify any gaps. Where a need or gap is identified or arises, the Nomination Committee may commence a search process for potential appointees across a diverse candidate pool, with the assistance of external consultants as necessary. The Committee then undertakes an assessment of short listed potential appointees. The Chair and other Directors would also meet in person with potential appointees. Factors considered include the capability of the candidate to devote the necessary time and commitment to the role, potential conflicts of interest and independence. Appropriate background and other checks are undertaken before the Nomination Committee will then recommend the most appropriate candidate(s) for consideration by the Board as a whole.

During the reporting period, the Board reviewed its membership to ensure that the skills, expertise and diversity represented on the Board continued to meet Transurban's needs. Following that review, and in accordance with the search process described above, Mark Birrell was appointed to the Board, effective 1 May 2018.

2.5 BOARD SKILLS, EXPERIENCE AND DIVERSITY

It is Transurban's desire to be the *partner of choice with Governments in providing effective and innovative urban road infrastructure and services utilising Transurban's core capabilities*. The Board therefore aims to maintain a membership that is appropriate having regard to Transurban's strategic objectives and core capabilities.

In this regard, the Board collectively has the following key skills and experience:

Skills and experience	
✓	Industry specific knowledge and expertise – Specific experience, knowledge and expertise gained across the broader infrastructure and transport industries, including global experience
✓	Financing / capital management – Experience in complex financing and/or capital management including economic drivers and global business perspectives
✓	Project development, project management and delivery – Experience in all aspects of major infrastructure projects, including project engineering
✓	Government and stakeholder relations, public policy and community engagement – Experience in Government and regulatory policy matters (including public policy discourse), multiple stakeholder relations and community engagement
✓	Technology – An understanding of, or experience in, organisations of a significant size having a major technology focus, including new technologies and digital disruption, digital customer management, and cyber security
✓	Customer experience – Knowledge of, or experience in, organisations and operations managing large retail customer bases

In addition to the skills and experience set out above, the Board's membership possesses a depth of general corporate, executive and Director experience as summarised below:

Skills and experience	
✓	Strategic and commercial acumen – An ability to define strategic objectives and constructively question business plans and implement strategy using commercial judgement
✓	Financial acumen – Financial knowledge, accounting or related financial management qualifications and experience, including understanding the financial statements of organisations of significant size and complexity and the ability to probe the adequacies of financial and related risk controls
✓	Leadership – Board, CEO and/or senior leadership experience in major organisations, enterprises or listed companies in Australia or overseas, and managing through periods of rapid change
✓	Governance and compliance – Commitment to, and knowledge of, governance and sustainability issues (including the legal, compliance and regulatory environment applicable to transport infrastructure)
✓	Risk management – An understanding of financial and non-financial risk management, including operational, conduct, compliance, environmental, technological and governance risk
✓	People, culture and remuneration – Experience in people matters including culture, morale, management development, succession and remuneration (including incentive programs and the legislative framework governing remuneration)
✓	Health, safety and environment – Experience in health, safety and environmental matters (HSE), policies and strategies, including implementing HSE systems in organisations of significant size

As noted above, the Board undertakes a regular assessment (using a “skills matrix”) of the range of skills, experience, and diversity on the Board to enable the identification of particular competencies and perspectives that will enhance the Board's effectiveness. These competencies and perspectives are prioritised in profiles for potential future Non-executive Directors as part of coordinated succession planning activities.

2.6 INDUCTION OF NEW DIRECTORS

New Non-executive Directors are given a formal letter of appointment that sets out the key terms and conditions of their appointment, including the Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with Committee work.

An induction program is in place to allow new Non-executive Directors to participate fully and actively in Board decision-making at the earliest opportunity. The program is designed to enable new Directors to gain an understanding of Transurban's financial, strategic, operational, risk management and HSE positions, its vision and values, the role and responsibilities of Senior Executives, the role of Committees, meeting arrangements and Director interaction with each other, Senior Executives and other stakeholders. Mark Birrell participated in the induction program during the reporting period.

2.7 KNOWLEDGE, SKILLS AND EXPERIENCE

Directors are expected to maintain the knowledge and skills required to discharge their duties and obligations. The Board is provided with papers, presentations and briefings on matters that may affect Transurban's business or operations, and is briefed on relevant changes in the legislative, regulatory or industry framework. Directors are expected to undertake any necessary continuing professional education and training. To assist the Directors in maintaining an appropriate level of knowledge of Transurban's operations, Directors (individually and as a group) undertake regular visits to Transurban's assets and project sites. During the reporting period, the Board visited Transurban's NSW and North American offices and assets.

2.8 BOARD ACCESS TO INFORMATION AND INDEPENDENT PROFESSIONAL ADVICE

Directors have unrestricted access to management. Management is expected to provide regular detailed reporting in a form and timeframe and of a quality that enables the Board to discharge its duties effectively. Directors request additional information where necessary to make informed decisions.

The Board Charter sets out the circumstances and procedures pursuant to which a Director may seek independent professional advice at Transurban's expense. These procedures require prior consultation with, and the consent of, the Chair and, under normal circumstances, the provision of a copy of the advice to the Board.

2.9 CONFLICTS OF INTEREST

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interests. Under the Corporations Act, the constitutions of THL, TIML and TIL, and the Board Charter, Directors are required to disclose any conflicts and abstain from participating in any discussion or voting on matters in which they have a material personal interest. A Director who discloses that they may have a conflict must follow the procedures developed by the Board to deal with such circumstances.

2.10 COMPANY SECRETARY

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Each Director has direct access to the Company Secretary. The Company Secretary is responsible for coordination of all Board business, including agendas, Board papers and minutes, advising the Board and its Committees on governance matters, monitoring that Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX, and statutory and other filings.

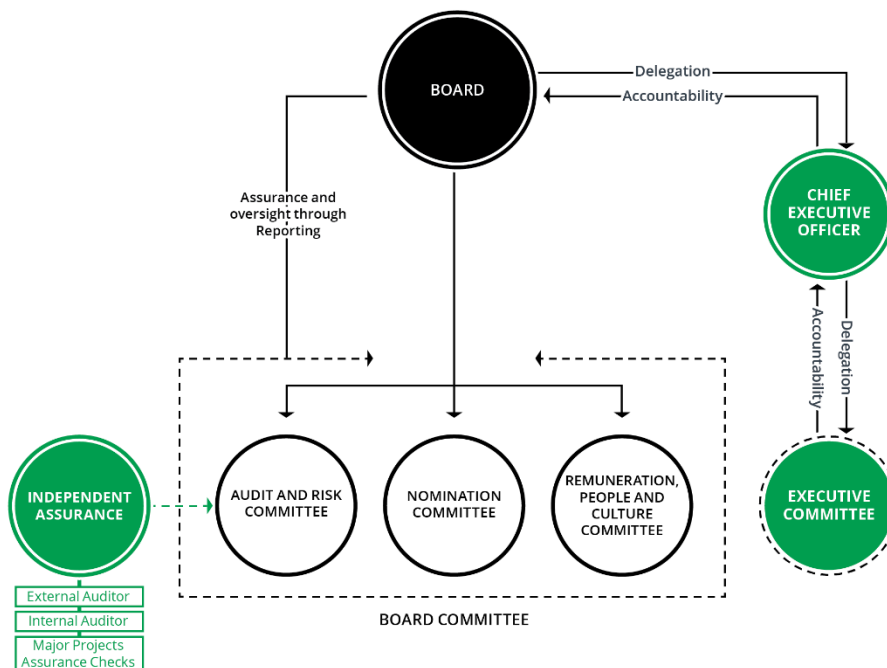
3. Operation of the Board

Relevant governance documents:

Board Charter

Audit and Risk Committee Charter, Remuneration, People and Culture Committee Charter, Nomination Committee Charter

Corporate Governance Framework



3.1 BOARD COMMITTEES

The Board has established three standing Committees: the Audit and Risk Committee, the Remuneration, People and Culture Committee, and the Nomination Committee. Each standing Committee operates under a charter, approved by the Board, which sets out the authority, membership and responsibilities of the Committee, together with any relevant administrative arrangements and any other matters considered appropriate by the Board.

The role of Committees is to advise and make recommendations to the Board. The Committees do not have decision making authority except as expressly stated in the relevant charter or as authorised by the Board.

The Board periodically reviews the appropriateness of the existing Committee structure, as well as the membership and the charter of each Committee. Reviews were undertaken during the reporting period. As part of coordinated Director succession planning activities, changes were made to the membership of Committees: Christine O'Reilly became Chair of the Audit and Risk Committee (effective 1 November 2017) and Samantha Mostyn became Chair of the Remuneration, People and Culture Committee (effective 1 November 2017). Mark Birrell also became a member of the Nomination Committee (effective 1 May 2018).

The current composition of each Committee is set out below. The number of meetings held by each Committee during the reporting period and each member's attendance at those meetings are set out in the Directors' Report in Transurban's Annual Report. All Directors may attend Committee meetings and receive Committee papers.

Members	Composition	Key responsibilities
Audit and Risk Committee		
Christine O'Reilly (Chair) Neil Chatfield Bob Edgar Peter Scott	<ul style="list-style-type: none"> ✓ Only Non-executive Directors, all of whom are independent ✓ At least three members, each of whom is financially literate and has relevant qualifications/experience ✓ An independent Chair who is not also Chair of the Board 	<ul style="list-style-type: none"> ▪ Integrity of financial reporting ▪ Effectiveness of risk management framework and of systems of financial risk management and internal control ▪ Internal and external audit scope and effectiveness ▪ Oversight of technology and tax risk management
Remuneration, People and Culture Committee		
Samantha Mostyn (Chair) Bob Edgar Neil Chatfield Jane Wilson	<ul style="list-style-type: none"> ✓ Only Non-executive Directors, all of whom are independent ✓ At least three members, each of whom is familiar with the legal and regulatory disclosure requirements in relation to remuneration and has knowledge of executive remuneration issues ✓ An independent Chair 	<ul style="list-style-type: none"> ▪ Remuneration of Directors, performance and remuneration of, and incentives for, the CEO and other Senior Executives ▪ Remuneration strategies, practices and disclosures generally ▪ Programs to optimise the contributions of people, including development planning, diversity, culture and engagement
Nomination Committee		
Lindsay Maxsted (Chair) Each other Non-executive Director	<ul style="list-style-type: none"> ✓ Only Non-executive Directors, all of whom are independent ✓ At least three members ✓ An independent Chair 	<ul style="list-style-type: none"> ▪ Size and composition of the Board and new Board appointments ▪ Board, Committee and Director performance ▪ Board and Senior Executive succession planning

3.2 SPECIAL PURPOSE COMMITTEES

As and when required the Board establishes special purpose Committees to give detailed consideration to specific matters, and where required, approve certain matters within Board-approved parameters.

During the reporting period the Board established two separate Due Diligence Committees to oversee due diligence processes conducted in relation to capital raisings to contribute to funding significant infrastructure projects (including the West Gate Tunnel Project and WestConnex) and for general corporate purposes. Each Committee was comprised of Lindsay Maxsted, Christine O'Reilly, Peter Scott, Neil Chatfield, the CEO, the CFO and the Group General Counsel. Each Committee met at least five times prior to the launch of each capital raising and participated in ongoing due diligence processes until completion of the offers.

3.3 PERFORMANCE OF THE BOARD, COMMITTEES AND INDIVIDUAL DIRECTORS

The Board acknowledges the importance of the regular review of its own performance and effectiveness, as well as the performance and effectiveness of its Committees and individual Directors.

The Board conducts an internal evaluation each year and has an expert external consultant formally facilitate the process every third year. This arrangement is supplemented by annual assessments undertaken by Committees, the results of which are reported to the Board.

An internal Board performance review was implemented in August 2017. The review concluded that the Board was functioning very effectively and that there was clear consensus across all focus areas. Specific actions agreed by the Board in response to specific areas of feedback were documented and the completion of these items continues to be monitored by the Board through the Company Secretary.

An externally facilitated Board, Committee and individual Director effectiveness review commenced in June 2018. Meetings have been conducted by the external consultant with each Board member and Senior Executive, and preliminary feedback has been provided to the Chair. The results of the review will be formally presented to, and considered by, the Board as a whole in October 2018.

3.4 PERFORMANCE OF SENIOR EXECUTIVES

Each Senior Executive has a service agreement that clearly sets out their role and responsibilities, and Transurban's expectations in terms of their performance.

The CEO and all other Senior Executives undergo a performance and development review on an annual basis. At the commencement of each financial year the Board sets individual key performance indicators (**KPIs**) for the CEO, and reviews the individual KPIs set for other Senior Executives, against which their performance is measured.

At the end of the financial year, the performance of the CEO is reviewed by the Board, and the CEO reviews the performance of each Senior Executive and reports to the Board through the Remuneration, People and Culture Committee on the outcome of these reviews. The CEO and each Senior Executive are provided with feedback on their performance, which directly impacts their annual short term incentive outcome. A development plan is also agreed to support and align the ongoing contribution of the Senior Executive to the needs of the business.

Performance reviews for the CEO and other Senior Executives were conducted during the reporting period in accordance with the process described above. Information regarding these reviews, and the reward structure and remuneration outcomes for the CEO and other Senior Executives during the reporting period, can be found in the Remuneration Report which forms part of the Directors' Report in Transurban's Annual Report.

3.5 REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The remuneration of Non-executive Directors consists entirely of Directors' fees and Committee fees. Non-executive Directors do not receive any variable remuneration or other performance related incentives. Transurban does not operate any retirement benefit schemes for Non-executive Directors. Further details of the remuneration paid to each Non-executive Director during the reporting period are set out in the Remuneration Report that forms part of the Directors' Report in Transurban's Annual Report.

For the reporting period, the remuneration of the CEO and other Senior Executives comprised fixed remuneration, short term incentives (cash and deferred equity) and long term equity based incentives. Transurban's remuneration strategy and framework, and the remuneration package and outcomes for the CEO and other Senior Executives, are also described in detail in the Remuneration Report.

4. Ethical conduct and responsible decision-making

Relevant governance documents:

How We Work @ TU

Whistleblower Policy and Ethical Business Practices Policy

Dealing in Securities Policy

Diversity Policy

Supplier Sustainability Code of Practice

Sustainability Report

Health, Safety and Environment Policy

Political Donations Policy and Procedure

Transurban's licence to operate is one of its most valuable assets. The Board endeavours to lead by example when it comes to acting ethically and responsibly and has charged management with the responsibility for maintaining a culture within Transurban that promotes ethical conduct and drives responsible decision making.

4.1 CONDUCT AND ETHICS

Transurban's organisational values are: **integrity, collaboration, accountability, ingenuity and respect.**

Transurban's code of conduct, How We Work @ TU, sets the standards for how all of Transurban's employees, consultants and contractors should act to ensure that Transurban's values are upheld. All employees are expected to align their actions with the code and the values whenever they are representing Transurban. The code refers employees to relevant Transurban policies for further information and guidance. It also encourages employees who become aware of unethical behaviours to report these. How We Work @ TU is promoted across the business and reinforced by proper training and proportionate disciplinary action if it is breached.

Transurban also has a separate Ethical Business Practices Policy that supports its governance and integrity framework. This policy defines the standard required from employees and third parties when working with Transurban, highlights the processes for prevention, detection, and the investigation of reports of fraudulent or corrupt conduct, and provides guidance in relation to managing and recording gifts and benefits. The policy and related frameworks are supported by annual mandatory training and awareness programs across the business.

4.2 WHISTLEBLOWER PROTECTION

In keeping with the spirit of How We Work @ TU, Transurban has a Whistleblower Policy to encourage all Directors, Senior Executives, other employees, contractors and suppliers who have witnessed, or know about, any misconduct or suspected misconduct to report it without fear of intimidation, disadvantage or reprisal. The policy sets out how Transurban will respond to and investigate reports of misconduct, and outlines the protections available to those who make a whistleblower report in good faith. A confidential, anonymous external toll free or online whistleblower reporting service is available for use by all such personnel.

4.3 POLITICAL DONATIONS

Transurban's Political Donations Policy and Procedure governs payments to political parties and individuals holding or standing for elected office. In accordance with this policy, Transurban does not make donations, either directly or via fundraising organisations, to any political party, politician, elected official or candidate. Transurban does participate in public policy debate on issues that may impact its business. Payment for attendance at political fundraising functions is permitted if it is required in connection with business objectives and approved in accordance with the policy.

4.4 DEALING IN SECURITIES

Transurban has a Dealing in Securities Policy that establishes a procedure for dealings by all Directors, Senior Executives, employees, contractors and their related parties in Transurban securities, and in securities of other entities with whom Transurban may have business dealings. The policy prohibits all such personnel from dealing in securities at any time if they are in possession of price-sensitive information. Dealing is also not permitted during designated "Closed Periods" except with prior approval in circumstances of severe financial hardship. Personnel may generally deal in securities during "Open Periods" if prior approval is obtained in accordance with the procedure set out in the policy. For the purposes of the policy, dealing includes hedging and any other secured financing arrangements.

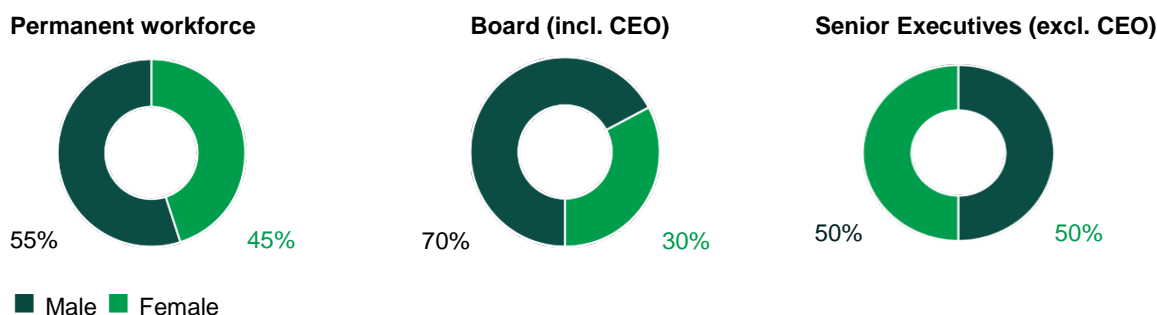
The policy also prohibits buying and selling securities on a short-term basis (within three months) except in circumstances of severe financial hardship. Employees who have entitlements to securities under a Transurban equity plan may not hedge against those entitlements until they have vested and are released from any holding lock. Directors and employees are also prohibited from entering into margin lending arrangements using Transurban securities as security.

4.5 DIVERSITY AND INCLUSION

Transurban's workforce is made up of individuals with diverse skills, values, backgrounds, experiences and needs. Transurban values this diversity and recognises the organisational strength, opportunities for innovation and other corporate benefits that a diverse and inclusive workforce bring. Transurban has, and will continue to develop practices, programs and initiatives to support and assist with improving diversity and inclusion at all levels of the business.

Transurban believes that genuine diversity drives strategic advantage and contributes to the achievement of its corporate objectives. It enables the business to attract people with the best skills and attributes, and to develop a workforce selected from all available talent, whose diversity reflects that of the customers and communities Transurban serves.

Gender Diversity Profile – The respective proportions of women and men on the Board (including the CEO), in Senior Executive positions (defined as executives who report directly to the CEO), and across the whole organisation are set out below:



As a 'relevant employer' and as required by the Workplace Gender Equality Act 2012, Transurban lodged its workforce gender profile as at December 2017 with the Workplace Gender Equality Agency (**WGEA**). It can be accessed through the WGEA website. For the fourth consecutive year Transurban was awarded the WGEA 'Employer of Choice for Gender Equality' citation in recognition of Transurban's active commitment to achieving gender equality in the workplace. Transurban's CEO, Scott Charlton, is a WGEA Pay Equity Ambassador.

Diversity and Inclusion principles — Transurban's approach to diversity and inclusion is underpinned by the following principles:

- Creating an environment in which all employees are treated with fairness and respect, and have equal access to opportunities at work;
- Developing a culture that embraces diversity, and in which differences are valued, respected and fostered;
- Ensuring a supportive, harassment-free and inclusive workplace;
- Maintaining workplace structures, systems, policies and procedures that help employees balance their work, family and other responsibilities;
- Ensuring that diversity and inclusion is embraced in all recruitment activities at all levels, and that the workforce is reflective of the communities Transurban operates within;
- Ensuring all employees are paid equitably, and monitoring this on a regular basis;
- Ensuring that employees have the ability to contribute and access opportunities based on merit; and
- Maintaining employee engagement and morale at the highest level.

These principles are embedded through the organisation and supported by formal education, including inclusive leadership and unconscious bias. Transurban's most recent annual Employee Opinion Survey showed an 87% favourable response in the area of diversity and inclusion and this will continue to be measured each year.

Diversity and Inclusion Policy and measurable objectives — Transurban has a Diversity and Inclusion Policy that includes a requirement for the Board to set measurable objectives for achieving diversity and inclusion, and to review both the objectives and progress in achieving them annually. Transurban's objectives for the reporting period (focused on the areas identified above), and the progress in achieving those objectives during the period, are outlined below:

Objective 1 – Gender diversity

Goal	Achievement of gender equity at all levels across Transurban	
Measure	% of females in executive/senior management (excluding CEO)	38.5% (FY17 – 39.0%)
	% of females in middle management positions	32.2% (FY17 – 33.0%)
	% of first round interviews including mix of female/male candidates	61.3% (FY17 – 75.0%)

Objective 2 – Flexible work practices

Goal	Create an environment that supports flexibility for all employees	
Measure	% employees agreed that their flexibility requirements are being met	84.0% (FY17 – 80.0%)
	% employees on flexible work arrangements receiving development opportunities	99.6% (FY17 – 100%)
	% of employees returning from primary carer's leave	93.1% (FY17 – 96.4%)
	% employees retained 12 months after returning from primary carer's leave	85.2% (FY16 – 88.2%)

Objective 3 – Cultural diversity

Goal	Transurban's workforce aligns with the broader population and communities that Transurban works across	
Measure	Number of ethnicities represented across the employee group	72 ethnicities represented

Other diversity and inclusion initiatives — Transurban's commitment to, and work in, other areas of diversity and inclusion during the reporting period have resulted in achievements in each of the following areas:

- **Diversity and Inclusion Sub-committees** — During the reporting period, new executive sponsors of the Diversity Sub-committees were appointed to provide new insights and focus for each area of gender diversity, flexible working and cultural diversity. These groups continued to meet on a monthly basis to progress each identified focus area.
- **Gender diversity** — The payment of superannuation on the unpaid portion of primary carer's leave was introduced through the reporting period. Transurban continues to support the development of females in science, technology, engineering and maths fields through activities such as the Females Excelling in Engineering and Technology program and partnerships with various Universities. The annual Women in Leadership program for emerging middle managers was again conducted. Each of these programs incorporates a mentoring component to support participants (for example, Senior Executives mentor the participants of the Women in Leadership program and female Board members also speak as part of that program). The annual gender pay equity review was completed with no significant gaps identified. Domestic and family violence education was delivered to people leaders and employees across the business. In the 2018 Employee Pulse Survey, 97% of respondents agreed that sex-based harassment is not tolerated in the organisation.

- **Flexible work practices** — An awareness campaign showing a range of ways that flexible working can be utilised was conducted through the year. This culminated in a Flexible Work Day being held across all regions and included drop-in sessions with Technology and People and Culture to better understand Transurban’s policies and approach. 84% of respondents to the survey agreed that they had the flexibility to manage family and carer responsibilities.
- **Cultural diversity** — Activities to progress the Innovate Reconciliation Action Plan (RAP) and raise awareness of issues facing indigenous people and communities continued, including culture awareness education, hosting of indigenous interns, support of National Reconciliation Week activities and a staff survey on Close the Gap day. The cultural diversity audit aims to assist in better understanding the cultural backgrounds of employees and how they can be supported in the workplace. The results continue to show breadth in country of birth, employees for whom English is a second language, ethnicity, and additional languages spoken. Days of cultural significance continue to be celebrated to increase awareness of different cultures.

4.6 SUSTAINABILITY

The Board is committed to Transurban taking a sustainable approach to its operations, projects and business practices to create the best long term outcomes for its Government clients, investors, communities and customers.

The Board has endorsed a Sustainability Strategy that focuses on three key areas:

- ▶ **Be good neighbours** — anticipating, listening and responding to community needs;
- ▶ **Use less** — reducing the impacts of Transurban’s operations on the community and environment; and
- ▶ **Think long term** — improving transport networks to help people, goods and services move more efficiently and safely across cities both now and into the future.

By adopting and working to these principles, Transurban reinforces its “licence to operate” and strengthens its ability to deliver efficient and integrated transport networks that support productivity and the wellbeing of its communities.

Transurban provides progress reports to the Board on these focus areas. Transurban’s annual Sustainability Report summarises the reporting period’s activities, while also outlining commitments for the coming years. The 2018 Sustainability Report will be published in October 2018.

4.7 SUPPLIER SUSTAINABILITY CODE OF PRACTICE

Transurban seeks to conduct business with suppliers who have shared values, act ethically and aim to make a positive impact in the areas of social and environmental sustainability. Transurban’s Supplier Sustainability Code of Practice details the expectations that Transurban has of its suppliers in delivering goods and services to the business. Fundamental to adopting the code is the understanding that all suppliers operate in full compliance with all laws, rules and regulations of the countries in which they operate, including protecting internationally recognised labour and human rights such as those related to modern slavery. The code also encourages suppliers to go beyond legal compliance, drawing upon internationally recognised standards, in order to advance social and environmental responsibility. Transurban encourages suppliers to show leadership, improve their performance and develop their competencies in this field.

4.8 HEALTH, SAFETY AND ENVIRONMENT

Transurban prioritises a healthy and safe environment for all employees, contractors, customers and the community while seeking to minimise impacts to the environment. Health, safety and environment is therefore a critical part of Transurban’s business framework and decision making. Further detail on the range of strategies, systems, initiatives and policies in place at Transurban to manage health, safety and environmental issues is included in Transurban’s annual Sustainability Report.

5. Integrity in corporate reporting

Relevant governance documents:

Audit and Risk Committee Charter

External Auditor Independence Policy

5.1 ROLE OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in overseeing the integrity of financial reporting, the effectiveness of systems of financial risk management and internal control, the internal and external audit functions and the effectiveness of the risk management framework and supporting risk management systems.

The CEO, the CFO, the internal auditor and the external auditor must attend Committee meetings if requested. Other members of management and advisers may also be invited to attend meetings.

The Committee has unrestricted access to management and the auditors, and rights to seek explanations and additional information. The Committee meets on a regular basis with the internal auditor, and separately with the external auditor, without management present.

5.2 INDEPENDENCE OF THE EXTERNAL AUDITOR

Transurban's external auditor is PwC. The effectiveness, performance and independence of the external auditor is reviewed by the Audit and Risk Committee. If it becomes necessary to replace the external auditor for performance or independence reasons, the Committee will formalise a procedure and policy for the selection and appointment of a new external auditor.

The Corporations Act requires the external auditor to make an annual independence declaration, addressed to the Board, declaring that the auditor has maintained its independence in accordance with the Corporations Act and the rules of professional accounting bodies. PwC has provided an independence declaration to the Board for the reporting period. The declaration forms part of the Directors' Report in Transurban's Annual Report.

Mr Marcus Laithwaite has replaced Mr Chris Dodd as lead audit engagement partner of PwC in relation to the external audit of Transurban. Mr Dodd served as lead audit engagement partner from 1 July 2012 to 30 June 2017.

5.3 RESTRICTIONS ON THE PROVISION OF NON-AUDIT SERVICES BY THE EXTERNAL AUDITOR

Transurban has implemented policies and procedures to monitor the independence of the external auditor. The External Auditor Independence Policy regulates the provision of non-audit services by the external auditor. Under the policy, the auditor is prohibited from providing certain non-audit services, and may only provide a permissible non-audit service where there is a compelling reason for the auditor to do so. The provision of permissible non-audit services must be pre-approved by either the Audit and Risk Committee, the Chair of that Committee, or the CFO (where the proposed fee for the service does not exceed \$5,000). The CFO provides a report at each Audit and Risk Committee meeting describing any non-audit services pre-approved by the CFO or the Chair since the last meeting.

Details of the fees paid to PwC during the reporting period, including a breakdown of fees paid for non-audit services, are set out in the Directors' Report in Transurban's Annual Report. The Board has considered the nature of the non-audit services provided by PwC during the reporting period and has determined that the services provided, and the amount paid for those services, are not incompatible with the general standard of independence for auditors imposed by the Corporations Act and that the auditor's independence has not been compromised.

5.4 ATTENDANCE OF THE EXTERNAL AUDITOR AT THE AGM

The lead audit engagement partner of PwC attends Transurban's AGM and is available to answer security holder questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted in relation to the preparation of the financial statements, and the independence of the auditor.

5.5 FINANCIAL REPORTING – CEO AND CFO CERTIFICATIONS

The Board has received certifications from the CEO and the CFO in connection with Transurban's financial statements and the individual entities comprising the Transurban Group for the reporting period. The certifications state that the declaration provided in accordance with section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

6. Continuous disclosure

Relevant governance documents:

Continuous Disclosure Policy

Transurban has a Continuous Disclosure Policy that establishes a best practice procedure for compliance with its continuous disclosure obligations, provides guidance for the identification of material information and requires the reporting of such information to the Company Secretary for review. The policy also ensures that Transurban and its personnel are aware of the penalties for a contravention of Transurban's continuous disclosure obligations.

The CEO, the CFO and the Company Secretary have primary responsibility for the effective operation of the policy. The Company Secretary is responsible for all communications with the ASX in relation to continuous disclosure issues. Under the policy, personnel must immediately notify the Company Secretary as soon as they become aware of information that should be considered for release to the ASX. The Company Secretary reviews that information, determines in consultation with the CEO and the CFO whether disclosure is required and, if so, co-ordinates the actual form of the disclosure, its approval and prompt release. All ASX releases are required to be approved by either the Board (or a Board sub-committee) or the CEO (or in the CEO's absence, the CFO or the Chair of the Board).

Transurban seeks to ensure that its announcements are factual, complete, balanced and expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

All information disclosed to the ASX is promptly posted on Transurban's website. Presentations to investors and analysts given in conjunction with the release of Transurban's financial results or the announcement of a major new initiative or development are released to the ASX immediately prior to the making of those presentations.

The Board considers potential disclosure issues at each of its meetings.

7. Communications with security holders

Relevant governance documents:

Security Holder Communication Policy

Transurban places great importance on engaging with its security holders and providing them with appropriate information and facilities to allow them to exercise their rights as security holders effectively. This includes giving them ready access to information about Transurban, communicating openly and honestly with them, and encouraging and facilitating their participation at AGMs.

The Security Holder Communication Policy outlines the range of ways Transurban provides information to its security holders. Security holders are encouraged to elect to receive information in electronic format in line with Transurban's commitment to sustainability.

7.1 WEBSITE

Ready access to information about Transurban and all relevant corporate governance information is available via Transurban's website. The website has a "Corporate Governance" landing page that links to key governance documents. All ASX announcements are promptly posted on the website in the Investor Centre. The annual and half year results presentations, financial statements media releases, key dates, and other communications material are also published on the website.

7.2 INVESTOR ENGAGEMENT

Transurban has a comprehensive security holder engagement program, which includes briefings, presentations and events, including an annual Investor Day. The program includes scheduled and ad-hoc briefings with institutional and private investors, analysts and the financial media, and aims to provide a forum for two-way communications between Transurban and these stakeholders.

7.3 ANNUAL GENERAL MEETING

Transurban regards its AGM as an important opportunity to communicate with security holders. It is also a major forum for security holders to ask questions about the performance of Transurban, and to provide feedback to Transurban about information they have received.

Transurban welcomes and encourages security holder attendance and participation at its AGM. The full text of notices of meeting and explanatory material is published on Transurban's website. AGMs are also webcast live to accommodate security holders who are unable to attend in person. The webcast is also available on Transurban's website for viewing after the AGM.

8. Risk management

Relevant governance documents:

Audit and Risk Committee Charter

Risk Management Policy

8.1 RISK MANAGEMENT FRAMEWORK

The Board is responsible for overseeing the implementation of an effective system of risk management and internal control. The responsibility for maintaining Transurban's sound system of risk management and internal control has been delegated to management through the CEO.

Transurban has implemented a common, simple and proactive Enterprise-wide Risk Management (**ERM**) Framework that applies to all its business activities, operations and projects. The ERM Framework reflects industry best practice and is consistent with the ISO 31000:2018 risk standard. The ERM Framework provides guidance on the identification, assessment, management and escalation of risks to ensure that key risks, including those with the potential to have a material impact on the business, are escalated appropriately for ownership and proactive management.

The ERM Framework includes a Risk Management Policy that articulates Transurban's risk appetite and is supported by a series of risk guidelines. Transurban's approach to risk is reinforced by regularly communicating key risks and relevant information across the business, and through ongoing training and awareness programs.

The ERM Framework is overseen by the Audit and Risk Committee and is actively managed by the CEO and the Senior Executives in conjunction with management. The ERM Framework is subject to regular review to ensure that risk management processes and practices continue to be robust and effective, and to facilitate continuous improvement.

During the reporting period, a detailed review of the ERM Framework was undertaken with further enhancements made, reflecting the increasing maturity of Transurban's risk management profile and business growth. These enhancements included refinements to the Risk Appetite Statement, Risk Management Policy and related processes. The dedicated ERM software system has been in place for the reporting period and has provided for a more efficient and proactive application of risk management throughout the business. The Audit and Risk Committee has satisfied itself that the ERM Framework continues to be sound both in process and its application within the business.

8.2 MATERIAL RISK DISCLOSURE

Transurban is exposed to a variety of risks due to the nature of the environment in which it operates. These risks include economic, environmental and social sustainability risks such as:

Risk
• Maintaining a social licence to operate
• Cyber security and information protection
• Unfavourable changes in the market or to Transurban's operating conditions
• Change in the competitor landscape
• Failure of technical infrastructure
• Change in Government policy
• Effective and timely delivery of major projects
• Safety of Transurban's employees, contractors and customers
• Dependency on third parties and critical suppliers
• Inability to maintain or grow traffic volumes

The risks outlined above reflect the key business risks that have the potential to impact on Transurban's operations and its financial performance if not managed effectively. Under the ERM Framework, any risks identified as material are escalated to the appropriate Senior Executive for management and monitoring in accordance with the ERM Framework and reported to the Audit and Risk Committee.

During the reporting period, Transurban commenced an organisation-wide climate change risk review process in line with the Task Force on Climate Related Financial Disclosures' (TFCD) recommendations. The outcomes of the initial review and the roadmap for addressing all TCFD recommendations and finalising a Climate Change Strategy is included in Transurban's annual Sustainability Report.

Further details about material risks and how Transurban manages them are set out in the Directors' Report in Transurban's Annual Report and in the annual Sustainability Report.

8.3 INTERNAL AUDIT FUNCTION

Internal Audit provides independent and objective assurance on the adequacy and effectiveness of Transurban's internal control environment, together with recommendations to improve the efficiency of the relevant systems and processes.

Transurban has a co-sourced Internal Audit function where an external service provider partners with a core internal team. The co-source model enables a balance of external experience and internal knowledge.

Internal Audit operates under a plan approved annually by the Audit and Risk Committee and has full access to all functions, records, property and personnel of Transurban. Internal Audit administratively reports to the CFO and has a direct communication line to the Chair of the Audit and Risk Committee.

A risk-based approach aligned to the enhanced ERM Framework is used to focus assurance activities. The results of internal audit activities are reported to the Audit and Risk Committee at each of its meetings.