

2016 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 2016 (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 in statement
Principle 1 – Lay solid foundations for management and oversight	1, 2
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 2016 Annual Report and on Transurban’s website, was lodged with this statement with the ASX on 9 September 2016.

The Board of THL, the Board of Transurban Infrastructure Management Limited (**TIML**), as responsible entity of THT, and the Board of TIL 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. 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 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 eight Directors, with seven Non-executive Directors, including the Chair, and one Executive Director, the CEO. 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.

Ian Smith resigned from the Board effective 10 August 2015. On 1 March 2016, Peter Scott was appointed to the Board.

Non-executive Director	Period in office	Non-executive Director	Period in office
Lindsay Maxsted, Chair	8 years and 6 months	Bob Edgar	7 years and 1 month
Christine O'Reilly	4 years and 4 months	Samantha Mostyn	5 years and 8 months
Rodney Slater	7 years and 2 months	Peter Scott	6 months
Neil Chatfield	7 years and 6 months		

Executive Director	Period in office
Scott Charlton (CEO)	4 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, association 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 all 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, associations 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 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.

2.3 TENURE, RETIREMENT AND ELECTION / RE-ELECTION

The Board has established a policy and procedure for the tenure, retirement and re-election of incumbent Non-executive Directors.

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 evaluation and his or her 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, but tenure remains a matter for the Board's discretion on a case-by-case basis.

In the case of long-serving 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 AND BOARD DIVERSITY

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 would then undertake 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, and 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, and with the assistance of external consultants, the Board reviewed its membership to ensure that the skills, experience and diversity on the Board continued to reflect the various areas relevant to Transurban's core capabilities and strategic objectives. Following that review, and in accordance with the search process described above, Peter Scott was appointed to the Board effective 1 March 2016.

The following table summarises the key skills and experience of the Directors:

Skills and experience	
Industry specific experience	Technology
Financial acumen	Health, safety and environment, and sustainability
Strategic leadership	Legal, governance and compliance
Risk management	Human resources and remuneration
Major project management and delivery	International experience
Engineering	CEO level experience
Government and Government relations	Other Non-executive Director experience
Stakeholder management (including community engagement)	

The Board also recognises the need to identify potential areas of future enhancements in the skill sets represented on the Board and the skills sets to be prioritised in a profile for potential future Directors. Two such areas identified are significant experience and expertise in new technologies and retail (digital) customer management.

The Board is continuing with its search process for a further Non-Executive Director with skills and experience to effectively augment the current composition of the Board.

2.5 INDUCTION OF NEW DIRECTORS AND ONGOING DEVELOPMENT

New Non-executive Directors are issued with 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 and risk management 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.

2.6 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 undertake visits each year to Transurban's offices and assets. During the reporting period, the Directors visited Transurban's Victorian, NSW and North American offices and assets.

2.7 BOARD ACCESS TO INFORMATION AND INDEPENDENT PROFESSIONAL ADVICE

Directors have unrestricted access to management. Management is expected to provide regular detailed financial and operational reports in a form and timeframe and of a quality that enables the Board to discharge its duties effectively. Directors may 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.

2.8 CONFLICTS OF INTEREST

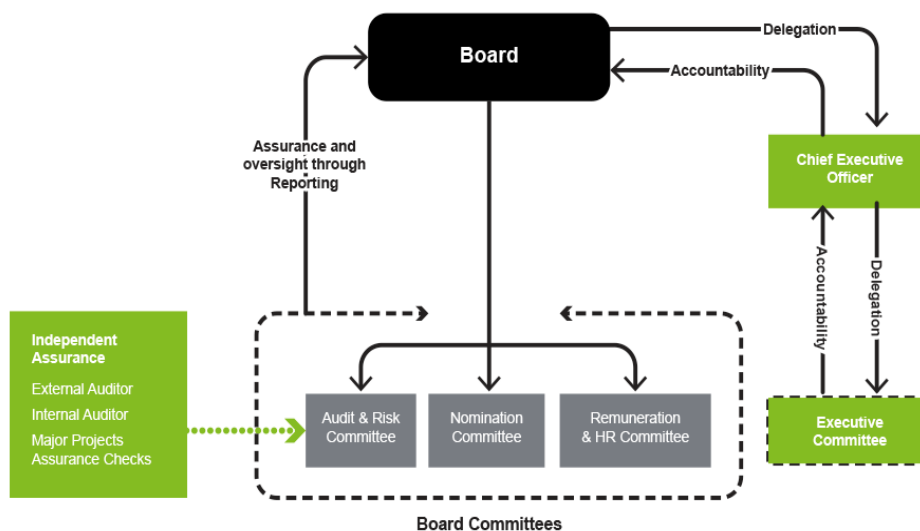
Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interests. Under the Corporations Act, the constitutions of THL, TIML and TIL, and the Board Charter, Directors are required to disclose any conflicts and abstain from participating in any discussion 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.

2.9 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

Corporate Governance Framework



Relevant governance documents:

Board Charter

Audit and Risk Committee Charter, Remuneration and Human Resources Committee Charter, Nomination Committee Charter

3.1 BOARD COMMITTEES

The Board has established three standing Committees: the Audit and Risk Committee, the Remuneration and Human Resources 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, which resulted in refinements to certain Committee charters, and in the appointment of Peter Scott as a member of both the Nomination Committee (effective 8 August 2016) and the Audit and Risk Committee (effective 1 September 2016).

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 are invited to attend Committee meetings and receive Committee papers.

Committee	Members	Composition	Key Responsibilities
Audit and Risk Committee	Neil Chatfield (Chair) Bob Edgar Lindsay Maxsted Christine O'Reilly Peter Scott (from 1 September 2016)	<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
Remuneration and Human Resources Committee	Bob Edgar (Chair) Neil Chatfield Samantha Mostyn	<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 human resources, including development planning, diversity, culture and engagement
Nomination Committee	Lindsay Maxsted (Chair) Neil Chatfield Bob Edgar Samantha Mostyn Christine O'Reilly Rodney Slater Peter Scott	<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.

During the reporting period the Board established a Due Diligence Committee to oversee the due diligence process conducted in relation to the capital raising to fund, in part, the acquisition of AirportLinkM7 by Transurban Queensland. The Committee was comprised of Lindsay Maxsted, Neil Chatfield, Christine O'Reilly, the CEO, the CFO, and Transurban's General Counsel and Company Secretary. The Committee met three times prior to the launch of the capital raising and participated in an ongoing due diligence process until completion of the offer.

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 assessments undertaken by Committees, the results of which are reported to the Board.

An externally facilitated Board effectiveness review was last conducted during 2015. The review concluded that the Board was functioning at a high level. The facilitator's suggestions for improvement, and actions agreed by the Board in response, were documented and subsequently actioned by the Board.

An internal Board effectiveness review was undertaken during the reporting period. The review involved each Director and each Senior Executive completing an assessment. Participants were specifically asked to comment on the composition and operations of the Board, its relationship with management, the Board's contributions to the Group's strategic direction and key initiatives, and the adequacy of audit, risk and control and information processes.

The results of the assessment were considered by the Board as a whole. The actions agreed by the Board in response to the review have been documented and the completion of these items is monitored. In addition to the review, the Chair regularly provides informal feedback to individual Directors.

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 approves 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 and Human Resources Committee on the outcome of these reviews. The CEO and each Senior Executive are provided with feedback on their performance and are given a rating based on that performance, which directly impacts annual short term incentives. Where appropriate, a development plan is also agreed to support and align the ongoing contribution of the 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 which 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

The Board endeavours to lead by example when it comes to acting ethically and responsibly and has charged management with the responsibility for creating a culture within Transurban that promotes ethical and responsible behaviour.

4.1 CONDUCT AND ETHICS

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 organisational values (**integrity, collaboration, accountability, ingenuity and respect**) 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 to Senior Management. 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 spanning fraud and corruption prevention. This policy defines the standards required from our people and stakeholders when working with Transurban, and highlights the processes for prevention, detection and the investigation of reports of fraudulent or corrupt conduct that are reported through the policy.

4.2 WHISTLEBLOWER PROTECTION

In keeping with the spirit of How We Work @ TU, Transurban has a Whistleblower Policy to encourage Directors, Senior Executives, other employees, contractors and suppliers who have witnessed, or know about, any misconduct to report it without fear of 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. The policy provides for a confidential, anonymous external whistleblower reporting service.

4.3 DEALING IN SECURITIES

Transurban has a Dealing in Securities Policy that establishes a procedure for dealings by 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 Directors and all 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. Directors and all personnel may generally deal in securities during “Open Periods” if prior approval is obtained in accordance with 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. In addition, Directors and Senior Executives may not hedge against entitlements that have vested but remain subject to a holding lock. Directors and employees are also prohibited from entering into margin lending arrangements using Transurban securities as security.

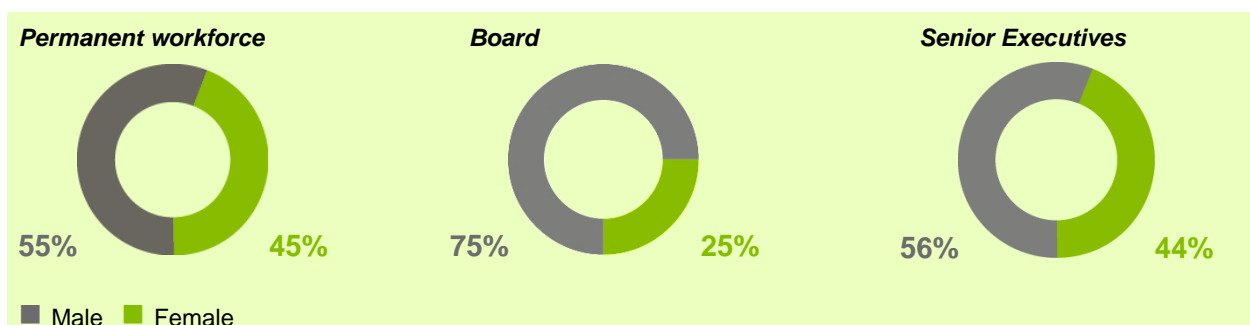
The policy and associated monitoring activities and compliance procedures were reviewed during the reporting period in light of, and to ensure continued compliance with, ASX guidance in relation to trading policies.

4.4 DIVERSITY

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 diversity brings. Transurban has, and will continue to develop practices, programs and initiatives to support and assist with improving diversity 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 Transurban 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 (excluding 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 2015 with the Workplace Gender Equality Agency (WGEA). It can be accessed through the WGEA website. Transurban was awarded the WGEA 'Employer of Choice for Gender Equality' citation in 2014 and 2015 in recognition of Transurban's active commitment to achieving gender equality in the workplace.

Diversity Principles – Transurban's approach to diversity 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 is embraced in all recruitment activities at all levels, and that the workforce is reflective of the communities we operate within;
- Achieving gender pay equity, 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 diversity education, including unconscious bias. Transurban's most recent annual Employee Opinion Survey showed an 80 per cent favourable response to the area of diversity and this will continue to be measured each year.

Key Focus Areas – Transurban's key focus areas for the past three years have been **Gender Diversity, Flexible Work Practices** and **Cultural Diversity**.

Diversity Policy and Measurable Objectives – Transurban has a Diversity Policy that includes a requirement for the Board to set measurable objectives for achieving diversity and to review both the objectives and progress in achieving them annually. Transurban's diversity 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 the Group	
Measure	% of females in Executive/Senior Management (excluding CEO)	31.6% (FY15 – 30.8%)
	% of females in Middle Management positions	33.0% (FY15 – 21.7%)
	% of first round interviews including mix of female/male candidates	83.9% (FY15 – 78.2%)

Objective 2 – Flexible Work Practices

Goal	Create an environment which supports flexibility for all employees	
Measure	% employees agreed that their flexibility requirements are being met	80.0% (FY15 – N/A)*
	% employees on flexible work arrangements receiving development opportunities	100% (FY15 – N/A)*
	% of employees returning from maternity leave	87.5% (FY15 – 88.9%)
	% employees retained 12 months after returning from maternity leave	83.3% (FY15 – 88.1%)

Objective 3 – Cultural Diversity

Goal	The Transurban workforce aligns with the broader population and communities that the Group works across	
Measure	Number of ethnicities represented across the Transurban employee group	51 ethnicities present in survey group

* New measure for FY16 – no prior data available

Other Diversity 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 Sub-committees** continue to meet on a monthly basis to progress each identified focus area; each sub-committee is sponsored by a member of the Senior Executive team and reports to the Diversity Committee which is chaired by the CEO and meets quarterly.

- **Gender Diversity** – the Transurban Parental Leave Policy was reviewed and paid primary carer's leave increased from 14 weeks to 16 weeks. Programs to assist in identifying and developing top female talent continued. These included the Females Encouraged in Engineering and Technology (FEET) Program which was expanded to include the Queensland region and hosted 16 students over the Australian summer period of 2015/2016. The annual Women in Leadership Program for emerging middle managers was also conducted in FY2016. The inaugural Transurban Graduate Program commenced in February 2016 with 57% of Graduates being female. Each of these programs incorporates a mentoring component to support the participants, including members of the Senior Executive team mentoring the participants of the Women in Leadership program. The annual gender pay equity review was undertaken and indicated no significant differences between male and female pay. A Domestic and Family Violence Support Policy was introduced and will be supported by formal education for Managers in FY2017.
- **Flexible Work Practices** – a review of flexible work policies and practices was undertaken and Manager and Employee toolkits developed. These tools support flexibility and provide information and strategies to assist those with caring responsibilities (childcare and/or eldercare) and better manage the different roles and responsibilities employees have both in and outside of the workplace.
- **Cultural Diversity** – the annual Cultural Diversity Audit was conducted and 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 were celebrated to increase awareness of the different cultures. Activities to support the Reconciliation Action Plan continued, including engaging with members of local indigenous communities, and raising awareness of a range of cultural and indigenous days of importance.

4.5 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, communities and customers.

The Board has endorsed a Sustainability Strategy, which 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 the focus areas. The annual Sustainability Report summarises the reporting period's activities, while also outlining commitments for the coming years. The 2016 Sustainability Report will be published in October 2016.

4.6 SUPPLIER SUSTAINABILITY CODE OF CONDUCT

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 (Code) 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. The Code also encourages suppliers to go beyond legal compliance, drawing upon internationally recognised standards, in order to advance social and environmental responsibility.

4.7 HEALTH, SAFETY AND ENVIRONMENT

Transurban prioritises a healthy and safe environment for all road users, employees and contractors while seeking to minimise the impact to our environment and the community. Transurban is committed to ensuring that all employees and contractors exercise individual responsibility for their own safety and for the safety of others both in our workplace or arising from our work, and actively participate in minimising the impacts to our 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 the 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 PricewaterhouseCoopers. 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. PricewaterhouseCoopers 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 Chris Dodd has been the lead audit engagement partner of PricewaterhouseCoopers in relation to the external audit of Transurban since 1 July 2012.

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 verbal 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 PricewaterhouseCoopers 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 PricewaterhouseCoopers 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 AGM

The lead audit engagement partner of PricewaterhouseCoopers attends Transurban's AGM and is available to answer security holder questions relevant to the audit and the preparation and content of the auditor's report.

5.5 FINANCIAL REPORTING – CEO AND CFO CERTIFICATIONS

The Board has received certifications from the CEO and the CFO in connection with the financial statements for the Transurban Group 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 and Procedure

Transurban has a Continuous Disclosure Policy and Procedure 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 the Transurban website. Presentations to investors and analysts given in conjunction with the release of the Group'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 Communications 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 Communications 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 the Transurban website. The website has a "corporate governance" landing page that stores all the governance-related 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 AGMs. The full text of notices of meeting and explanatory material is published on the Transurban website. AGMs are also webcast live to accommodate security holders who are unable to attend in person. The webcast is also available on the website for viewing post 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 designing, implementing and maintaining a sound system of risk management and internal control has been delegated to management through the CEO. Transurban has a 'risk based, outcomes focused and values driven' risk vision which is linked to Transurban's strategic priorities.

Transurban has implemented a proactive Enterprise-wide Risk Management (ERM) Framework to ensure that the business has a consistent, rigorous approach to the identification, assessment, and management of risk. The ERM Framework applies to all Transurban's business activities, operations and projects.

The ERM Framework includes a Risk Management Policy, a copy of which can be found on Transurban's website. The Risk Management Policy is supported by a clear articulation of Transurban's appetite for risk through a series of risk guidelines and a common ERM system. Transurban's approach to risk is reinforced by regularly communicating risk topics across the business and is supported by ongoing training and awareness programs.

The ERM Framework also provides guidance on the management and escalation of risk to ensure that key risks, including those with the potential to impact materially on the business, are escalated to the Senior Executive team for ownership and management.

Transurban believes that a foundation of effective risk management is the provision of a consistent and transparent view of key risks across the business including reporting key risks to the Audit and Risk Committee and the Board. This enables both the Audit and Risk Committee and the Board to assess the adequacy of management's framework, strategies and treatments relating to those risks.

The ERM Framework is overseen by the Audit and Risk Committee and is actively managed by the Senior Executive team in conjunction with management. The ERM Framework is aligned with the AS/NZ ISO 31000:2009 risk standard and is subject to regular review to determine process and practice effectiveness and facilitate continuous improvement.

During the reporting period, a detailed review of the ERM Framework was undertaken and a number of enhancements were made, including refinements to the Transurban Risk Appetite Statement and Risk Management Policy and updates to ERM systems and processes to enable a more efficient and proactive application of risk management across the business.

The updated ERM Framework was reviewed by the Audit and Risk Committee and formally approved by the Board in February 2016 and has been successfully rolled out across the business. The Committee has satisfied itself that the ERM Framework continues to be sound.

8.2 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, Deloitte 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 by the Audit and Risk Committee and has full access to all functions, records, property and personnel of the Transurban Group. 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 and the internal audit plan is presented annually to the Audit and Risk Committee for approval. The results of internal audit activities are reported to the Audit and Risk Committee.

8.3 MATERIAL RISK DISCLOSURE

Transurban's Risk Management Policy supports its strategy of creating an environment in which risk management underpins consistently good practice – enabling informed decisions that optimise returns within a specified appetite for risk, and where there are no material surprises. In particular, the Policy identifies that Transurban's ERM Framework will "drive informed decisions that optimise returns within a specified tolerance of our stated appetite for risk".

Transurban is exposed to 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:

- Reduced traffic volumes or an inability to grow traffic volumes;
- Change in government policies;
- Competitor growth or behaviour;
- Access to suitable financing arrangements;
- Safety incidents through operations or driver behaviour;
- Effective and timely delivery of major projects;
- Dependency on the services of key contractors and counterparties;
- Unfavourable changes to market or operating conditions;
- Cyber and information protection; and
- Failure of technical infrastructure.

These risks have the potential to impact on Transurban's operations and financial results if not managed effectively. Transurban's ERM Framework is designed to ensure that proactive risk management systems and controls are developed, implemented and tracked to enable economic, environmental and social sustainability risks or any other emerging key risks to be identified, monitored and adequately addressed.

Transurban's sustainability exposures are incorporated within its annual Sustainability Report.