



# INFRATIL LIMITED

## Board Charter

### 1. INTERPRETATION

#### 1.1 In this Charter:

“Act” means the Companies Act 1993.

“Board” means the Board of Directors of Infratil Limited.

“Business” means the business of Infratil limited.

“Chief Executive” means the person appointed by the Manager to perform the role of Chief Executive.

“Chairman” means the Chairman of the Board and is used in a gender-neutral sense.

“Infratil Limited” (and “Infratil”) and, where the context requires, includes subsidiaries of Infratil Limited.

“Company Secretary” means the person appointed by the Manager to perform the role of secretary to the Board.

“Directors” means members of the Board.

“Management” and “Manager” means Morrison & Co as Manager of Infratil and as governed by the Management Agreement.

“Management Agreement” means the Management Agreements from time to time agreed between Infratil Limited and the Manager.

“Management Limitations” means the limitations on the actions of Management as set out in paragraph 3.3.

“Morrison & Co” means Morrison & Co Infrastructure Management Limited.

“Shareholders” means the shareholders of Infratil Limited.

### 2. BOARD GOVERNANCE PROCESS

#### 2.1 Role of the Board

- (a) The primary role of the Board is to approve and monitor the strategic direction of Infratil recommended by the Manager and add long-term value to Infratil’s shares, having appropriate regard to the interests of all material stakeholders. Infratil has delegated responsibility for management to the Manager under a long term Management Agreement. The Management Agreement details a comprehensive list of duties and responsibilities of the Manager. The intended effect of the Management Agreement is to impose, by contract on the Manager, duties and responsibilities more usually carried out by a Chief Executive officer and senior management team.

- (b) The Board recognises that the interests of the Manager and the interests of Infracore shareholders have the potential to conflict, and that an important role of the Board is to be aware of and assess potential conflicts in relation to Infracore's capital structure and strategies adopted, and the resulting potential Manager revenues.
- (c) Having regard to its role, the Board will direct, and monitor, the Management of the Business and affairs of Infracore including, in particular:

### ***Strategy***

- ensuring that the strategic goals of Infracore are clearly established, and that strategies are in place for achieving them (such strategies generally being expected to originate, in the first instance, from the Manager);
- deciding on the steps necessary to protect Infracore's financial position and its ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- establishing policies for strengthening the performance of Infracore, including ensuring that the Manager is pro-actively seeking to build the Business through innovation and initiative.

### ***Manager***

- monitoring the performance of the Manager, the Manager's compliance with the Management Agreement and the process for calculating Manager performance fees;
- monitoring potential conflicts in relation to Infracore's capital structure and strategies adopted, and the resulting potential Manager revenues;
- reviewing the performance of the Manager and periodically reviewing the Management Agreement (including fees payable to the Manager);

### ***Reporting and Disclosure***

- approving and monitoring Infracore's financial statements, and corporate governance and other reporting, including the reporting to Shareholders and other stakeholders, continuous disclosure under the NZX Listing Rules, and its statutory functions;
- establishing procedures to ensure the implementation of, and adherence by appropriate management levels to, Infracore's Disclosure and Communications Policy;

### ***Ethics***

- ensuring that Infracore adheres to high standards of ethics and corporate behaviour;

### ***People***

- approving and monitoring Infracore's occupational safety and health processes with a view to ensuring the safety of Infracore's employees, contractors and agents;
- establishing procedures and systems to promote a culture and remuneration practice within Infracore which facilitates the recruitment, professional development and retention of staff; and

### ***Risk Management***

- ensuring that Infratil has appropriate risk management/regulatory compliance policies in place and monitoring the integrity of those policies.
  - (d) In the normal course of events, day-to-day management of Infratil will be the responsibility of Management through a delegation of the Board's authority to Management

## **2.2 The Board's Relationship with Shareholders and Other Stakeholders**

- (a) The Board will use its best endeavours to familiarise itself with issues of concern to Shareholders and significant stakeholders, including customers, staff and the communities in and around Infratil.
- (b) The Board will regularly evaluate economic, political, social and legal issues and other relevant external matters that may influence or affect the development of the Business or the interests of Shareholders and, where appropriate, will take outside expert advice on these matters.

## **2.3 Board Procedures**

- (a) The conduct of Directors will be consistent with their duties and responsibilities to Infratil and, indirectly, to Shareholders. The Board will be disciplined in carrying out its role, with emphasis on strategic issues and policy. Directors will always act within procedures put in place by the Board on its activities.
- (b) Directors will use their best endeavours to attend Board meetings and to prepare thoroughly. Directors are expected to participate fully, frankly and constructively in Board discussions and other activities, and to bring the benefit of their knowledge, skills and abilities to the Board table. Directors unable to attend a meeting will advise the Chairman at as early a date as possible.
- (c) Board discussions will be open and constructive, recognising that differences of opinion can, in such circumstances, bring greater clarity and lead to better decisions. Formal minutes will be taken of each Board meeting and the meetings of each Board Committee. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal or regulatory requirements, the Board will decide the manner and timing of the publication of its decisions.
- (d) Executive Directors attend Board meetings to discharge their Board responsibilities. At Board meetings, Board responsibilities supersede all executive responsibilities.
- (e) The Board has sole authority over its agenda and exercises this through the Chairman. Any Director may, through the Chairman, require the addition of an item to the agenda. The agenda will be set by the Chairman in consultation with the Manager.

(f) The Board will normally hold at least six meetings in each year. At each normal meeting, the Company's register of Directors' interests will be updated as necessary and the Board will consider:

- a business report from the Manager;
- reports on the activities Infratil's individual business units;
- specific proposals for investments;
- major issues and opportunities for Infratil; and
- matters requiring public disclosure.

Additional Board meetings are held where necessary in order to prioritise and respond to issues as they arise.

(g) The Board will at least annually:

- review and approve the strategic goals of Infratil;
- review the operational plans for achieving the strategic goals of Infratil;
- monitor compliance by the Manager of its obligations under the Management Agreement;
- approve the annual budget;
- approve the annual and half-yearly financial statements, associated reports to Shareholders and public announcements;
- approve the Annual Report;
- consider and, if appropriate, declare or recommend the payment of dividends;
- review the Board composition, structure and succession;
- review Infratil's audit requirements;
- review Infratil's process for making timely and balanced disclosure of relevant information;
- review the charter for performance of, necessity for and composition of Board Committees;
- undertake Board and individual Director evaluations;
- review Directors' remuneration;
- review remuneration policies and practices in general;
- review risk assessment policies and controls, including insurance covers and compliance with legal and regulatory requirements;
- review Infratil's risk management framework to satisfy itself that it continues to be sound;
- review Infratil's ethics and code of conduct policy;
- review Shareholder relations; and
- settle the Board's work plan for the following year.

(h) Directors are entitled to have access, at all reasonable times, to all relevant Infratil information and to Management.

(i) Directors are expected to strictly observe the provisions of the Act applicable to the use and confidentiality of Infratil information.

## **2.4 Chairman**

- (a) The Board will appoint a Chairman from among the Directors.
- (b) The Chairman will be an independent non-executive Director.
- (c) The Chairman is responsible for:
  - representing the Board to Shareholders;
  - ensuring the integrity and effectiveness of the governance process of the Board as set out in this Part 2;
  - maintaining regular dialogue with Management over all operational matters and will consult with the remainder of the Board promptly over any matter that gives cause for significant concern;
  - acting as facilitator at meetings of the Board;
  - ensuring that Board discussions result in logical and understandable outcomes; and
  - overseeing the role of the Company Secretary.

## **2.5 Board Committees**

- (a) Board Committees will be formed only when it is efficient or necessary to facilitate efficient decision-making or when required by law.
- (b) Board Committees will, as far as is appropriate, observe the same rules of conduct and procedure as the Board unless the Board determines otherwise.
- (c) Board Committees will only speak or act for the Board when so authorised. The authority conferred on a Board Committee will not derogate from the authority delegated to the Chief Executive or the responsibility of the Chairman.
- (d) Each Board Committee shall have a charter approved by the Board.
- (e) The members of each Board Committee will be appointed by the Board.

## **2.6 Board Composition and Mix**

- (a) The composition of the Board will reflect the duties and responsibilities it is to discharge and perform in setting Infratil's strategy and seeing that it is implemented.
- (b) The size of the Board will be in accordance with Infratil's Constitution. It must be large enough to ensure a range of knowledge, views and experience.
- (c) The Board shall comprise a majority of independent, non-executive Directors.

## **2.7 Manager Engagement Committee**

The Board has delegated to the Manager Engagement Committee responsibility for monitoring the Manager's performance and compliance with the Management Agreement and managing any potential conflicts between the interests of the Manager and the interests of Infratil shareholders (as set out in the Manager Engagement Committee Charter).

## **2.8 Board Remuneration**

The Board has delegated responsibility for this matter to the Nomination and Remuneration Committee (as set out in the Nomination and Remuneration Committee's charter).

## **2.9 Board Nominations and Succession Planning**

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## **2.11 Induction of New Directors**

- (a) Newly appointed Directors will enter into a written agreement with Infratil, establish the terms of their appointment.
- (b) On their first appointment, non-executive Directors will have the benefit of an induction programme aimed at deepening their understanding of Infratil and the Business and the environment and markets in which Infratil operates. As part of the programme, Directors will receive a folder of essential Board and Infratil information and will meet key Management. Directors are expected to participate in all such induction programmes.
- (c) Directors are expected to keep themselves abreast of changes and trends in the Business and in Infratil's environment and markets, and to keep abreast of changes and trends in the economic, political, social and legal climate generally, in order to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

## **2.12 Directors' Remuneration**

- (a) The Board will determine the level of remuneration paid to Directors within the amounts approved by Shareholders from the approved collective pool (unless there has been an increase in the number of Directors following approval of the collective pool by Shareholders in which case additional remuneration may be payable if permitted by the NZX Listing Rules).
- (b) Non-executive and Executive Directors will be paid a basic fee as ordinary remuneration and will be paid, as additional remuneration, an appropriate extra fee as Chairman of a Board Committee and an appropriate extra fee for any special service as a Director as approved by the Board. The Chairman will be paid a level of fees appropriate to the office. Remuneration will be reviewed annually by the Board.
- (c) Board members are entitled to be reimbursed for costs directly associated with the performance of their role as Directors, including travel costs.
- (d) The Chairman approves all Director's expenses and the Chairman of the Audit & Risk Committee approves the expenses of the Chairman.

## 2.13 Shareholding by Directors

- (a) Directors are encouraged, subject to compliance with relevant laws and the NZX Listing Rules, to take a portion of their Director's fee as fully paid shares in Infratil.
- (b) When buying or selling shares, Directors must strictly observe the provisions of Infratil's Constitution, Infratil's own internal rules and all relevant legislative or regulatory procedures.

## 2.14 Conflicts of Interest

- (a) If a conflict of interest (actual or perceived) is identified in relation to a Director, that Director shall:
  - unless otherwise determined by the Board, excuse themselves from participation in Board discussions in respect of those matters; and
  - if determined by the Board, be provided with redacted copies of any Board papers or other materials relating to those matters
- (b) Any such determinations by the Board may be made with respect to specific matters or, where a Director has made a general disclosure to the Board to the effect that the Director is a shareholder, director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may be entered into with that company or person, generally with respect to all matters involving that company or person.
- (c) If a conflict of interest is a potential conflict between the interests of the Manager and the interests of Infratil shareholders, paragraph 2.7 (rather than this paragraph) shall apply to that conflict of interest.
- (d) It is noted that Infratil's Ethics Policy and Code of Conduct contains a section on conflicts of interest which Directors are required to comply with.
- (e) An entry in the Interests Register to the effect that a Director is, or may be, "interested" (as defined in the Companies Act 1993) in a transaction must be disclosed to the Board.
- (f) A director who is "interested" in a matter will generally excuse themselves from participation in Board discussions in respect of that matter (in accordance with paragraph 2.14(a) above). Notwithstanding that general rule, as a minimum a Director who is interested in a transaction may not (except in relation to the granting of an indemnity or if the transaction is one in respect of which Directors are expressly required to sign a certificate under the Companies Act 1993) be included in the quorum for a meeting at which the transaction is considered or vote in relation to that transaction but may (subject to paragraph 2.14(a) above):
  - attend a meeting of Directors at which a matter relating to the transaction arises;
  - sign a document relating to the transaction on behalf of the Company; and
  - do anything else as a Director in relation to the transaction, as if he or she were not interested in the transaction.

## **2.15 Provision of Business or Professional Services by Directors**

(a) Because a conflict of interest (actual or perceived) may be created, Directors should not, generally, provide business or professional services of an ongoing nature to Infratil.

(b) Notwithstanding the general rule, Infratil is at liberty to:

- the purpose of a special assignment, engage the services of any Director having special expertise in a particular field; or
- engage the services of another member of a Director's organisation;

so long as the terms of engagement are competitive, established on an arm's length basis, clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

## **2.16 Other Board Appointments**

Any Director is, while holding office, at liberty to accept other Board appointments so long as the appointment is not in conflict with the Business and is not likely detrimentally to affect the Director's performance as a Director. Such appointments and all other appointments potentially having a significant impact on the Director's performance must first be discussed with the Chairman before being accepted.

## **2.17 Independent Professional Advice**

(a) Any Director is entitled to obtain independent professional advice relating to the affairs of Infratil or to his or her other responsibilities as a Director.

(b) If a Director considers such advice is necessary or desirable, the Director shall first discuss it with the Chairman.

(c) Subject to the prior approval of the Chairman, the cost of the advice will be reimbursed by Infratil, but the Director will ensure, so far as is practicable, that the cost is reasonable.

## **2.18 Board and Director Evaluations**

(a) The Board will, each year, critically evaluate its own performance, and its own processes and procedures, including those of its Board Committees, to ensure that they are not unduly complex and are designed to assist the Board in effectively fulfilling its role.

(b) Each year, the performance of individual Directors will be evaluated by a process which includes:

- each Director will discuss with the Chairman that Director's contribution to the proceedings of the Board and the performance of the Board and its Board Committees generally;
- the Chairman's own contribution will be discussed with the rest of the Board.

## **2.19 Indemnities and Insurance**

(a) Infratil will provide Directors with, and will pay the premiums for, indemnity and insurance cover while acting in their capacities as Directors, to the fullest extent permitted by the Act.

- (b) Infratil will maintain specified corporate documents and provide Directors with access to those documents.

## **2.20 The Company Secretary**

(a) The appointment of the Company Secretary is made on the recommendation of the Manager and must be approved by the Board. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

(b) The Company Secretary is responsible for:

- ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation;
- ensuring that the statutory functions of the Board and Infratil are appropriately dealt with and for bringing to the Board's attention any failure to comply with such, of which the Company Secretary becomes aware;
- advising the Board and Committees on governance matters and monitoring that Board and Committee policies and procedures are followed;
- coordinating the timely completion and provision of Board and Committee papers and ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- organising and facilitating the induction of Directors.

(c) All Directors, particularly the Chairman, have access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the Business.

## **3. BOARD-MANAGEMENT RELATIONSHIP**

### **3.1 Position of Chief Executive**

- (a) All Board authority conferred on the Manager is delegated through the Chief Executive appointed by the Manager, so that the authority and accountability of the Manager/Management is considered to be the authority and accountability of the Chief Executive so far as the Board is concerned.
- (b) The Board will agree with the Chief Executive specific goals and procedures, with a view to achieving specific results directed towards the strategic goals of Infratil.
- (c) Between Board meetings, the Chairman maintains an informal link between the Board and the Chief Executive, and will be kept informed by the Chief Executive on all important matters. The Chairman will be available to the Chief Executive to provide counsel and advice where appropriate.
- (d) Decisions of the Board acting as a body are binding on the Chief Executive.

### **3.2 Accountability of Chief Executive to Board**

- (a) The Chief Executive is accountable to the Board for the achievement of the strategic goals of Infratil. The Chief Executive is accountable for the observance of the Management Limitations.
- (b) At each of its normal monthly meetings, the Board should expect to receive from or through the Chief Executive:
  - the operational and other reports and proposals referred to in paragraph 2.3(f); and
  - such assurances as the Board considers necessary to confirm that the Management Limitations are being observed.

### **3.3 Management Limitations**

The Chief Executive is expected to:

- (a) act within all specific authorities delegated to the Chief Executive by the Board;
- (b) allow only practices, activities or decisions that conform to commonly accepted good business practice and Infratil's ethics and code of conduct policy;
- (c) adhere to Infratil's strategic goals and objectives in allocating the capital and resources of Infratil;
- (d) allow actions only after taking into account the health, safety, environmental and political consequences and their effect on long-term shareholder value;
- (e) not to cause or permit any action that is likely to result in Infratil becoming financially embarrassed;
- (f) adequately maintain and protect the assets of Infratil;
- (g) protect employees and other parties working for Infratil from being subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe; and
- (h) allow payments to be made or rewards given only if they are in return for contributions towards the purposes of the Business and are proportional to the extent that the contribution in question as furthered such purposes and are at fair value.

## Board Charter – “Independent Director” Standards

A Director is considered to be independent for the purposes of service on the Board and Board Committees of Infratil Limited if the Director satisfies the standards set out below.

The fundamental premise of the standards is that, to qualify as being “independent”, a Director must, in the determination of the Board, be independent of Management and free of any direct or indirect interest, position, association or relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, the Director’s capacity to:

- being an independent view to decisions in relation to Infratil;
- act in the best interests of Infratil; and
- represent the interests of Infratil’s financial product holders generally.

In determining whether a Director is an “Independent Director”, the Board will have regard to the non-exhaustive factors described in the NZX Corporate Governance Code that may impact a Director’s independence. These factors include:

- The Director is a Substantial Product Holder (as that term is defined in section 274(1) of the Financial Markets Conduct Act 2013) in Infratil or if he/she represents or is an officer of or otherwise associated directly with a Substantial Product Holder of Infratil.
- The Director is or has within the past three years been employed in an executive capacity by Infratil and whether there has been a period of at least three years between ceasing such employment and serving on the Board.
- The Director is or has been within the last three years in a material business relationship (for example, as a material supplier or customer) with Infratil or another group member, or is or has been an officer or employee of or otherwise associated with someone with such a relationship.
- The Director has or has had within the past three years a material contractual or other material relationship with Infratil or another group member other than as a Director.
- The Director is or has been within the last 12 months a principal, partner or director of a provider of material professional services, a material professional adviser or a material consultant to Infratil or another group member, or an employee materially associated with the service provided.
- The Director has served on the Board for a period that, in the Board’s opinion, could, or could reasonably be perceived to materially interfere with the Director’s ability to act in the best interests of Infratil or would otherwise compromise the Director’s independence.
- The Director is free from any other interests or any business or other relationships (including familial) that could or could be perceived to interfere with the Director’s unfettered and independent judgement and ability to act in the best interests of Infratil.
- The Director, or any associated person of the Director, has derived or is likely to derive in the current financial year 10% or more of that person’s annual revenue from or by virtue of a relationship (other than as a Director of Infratil) the Director or the associated person of the Director has with Infratil or a Substantial Product Holder of Infratil.
- The Director has close family ties with any person who falls within any of the categories described above.

Directors are required to disclose family ties or cross-directorships that may be relevant in considering continuing independence.

For a newly appointed Director, the Board will make a determination regarding that Director's independence no later than 10 business days after that Director's appointment.

For existing Directors, the Board will conduct a regular review of the independence of each of the Directors, based on information provided to it by the Directors. Directors are expected to volunteer information as and when changes occur. If, at any time, the Board makes a determination regarding a Director's independence that differs from the position most recently released to the market (for examples, that an independent director is no longer independent), such determination will be promptly and without delay released to the market.

Infratil's annual report will include a statement as to which of its Directors are independent directors as at the balance date of the financial year in respect of which the annual report is prepared, and the factors relevant to that determination.