



Infratil Executive Remuneration Policy

Executive Remuneration Policy

Infratil's senior management (excluding staff of MCIM as the Manager) is remunerated with a mix of:

- Base salary and benefits;
- Short term performance incentives; and
- Long term performance incentives.

The determination of fixed remuneration is based on responsibilities, individual performance and experience, and market data. At-risk/variable remuneration comprises short term incentives and, for senior and key employees, long-term incentives. Infratil's executives are employed by subsidiary companies, and executive remuneration policies are determined and approved by the subsidiary company boards within high level principles established by the Infratil Board. Incentives are directly related to the performance area controlled by the executive, while longer term incentives are intended to align with shareholder interests. Remuneration of executives of subsidiary companies is overseen by non-executive directors of those subsidiary companies.

Performance reviews of executives are carried out regularly, and at least annually, and involve feedback by the Board on executive performance of the Manager, and subsidiary Directors' review of subsidiary company's Chief Executive and executive's performance. Performance reviews include the review of goals and objectives set at the beginning of the year, and reviewing the achievement of those goals and objectives at the end of the year. Performance measures will normally include both qualitative and quantitative measures. Performance evaluations have taken place in accordance with this process during the reporting year.

Short term incentives

In the Infratil Group, variable remuneration recognises and rewards high-performing individuals whose contribution supports business goals and objectives, and who meet their individual goals agreed with the Board or their Chief Executive (as appropriate).

Short term incentives (STIs) comprise cash payments based on performance measured against key performance indicators (KPIs). Different levels of incentives are determined reflecting the nature of the roles in Infratil. KPIs may comprise entity or individual business, team and individual targets. These targets are designed to create goals that will support an achievement and performance-oriented culture. The STI programme is designed to differentiate reward for exceptional, outstanding and good performance.



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Long term incentives

The principal objective of long term incentives is to align executives' performance with shareholder interests and provide equity-based incentives that help retain valuable employees. Long term incentive arrangements vary within Infratil depending on circumstances and jurisdiction, and include both cash payments based on performance and value add over a period (generally three years), or rights to participate in the Infratil Executive Scheme, which is outlined in the Financial Statements. In determining the allocation of shares under the Executive Share Scheme, the Infratil Board considers individual participants' performance in the preceding financial year and potential in future years. Currently participation in the LTI Scheme is limited to around 14 senior and key employees of Infratil. These employees are approved by the Infratil Board after consideration of a recommendation from subsidiary boards. TrustPower, an Infratil NZX listed non-wholly owned subsidiary, has issued share options to certain employees as part of its long term incentives. The details of this scheme are disclosed in TrustPower's most recent Annual Report.

MCIM Management Fees

As noted earlier, Infratil is managed by MCIM, under a Management Agreement. The Management Agreement sets out the terms of the services provided by the Manager and the basis of fees, including base fees and incentive fees. Details of fees paid to the Manager are fully disclosed in the 2013 Annual Report financial statements, including:

- Note 26 – components of the Management Fee;
- Note 25 – related party disclosures in respect of MCIM and fees paid to MCIM; and
- in the statutory information section, the interests of Directors associated with MCIM, and Director's fees.