

# Board Charter

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## 1. Interpretation

### 1.1 In this Charter:

“Act” means the Companies Act 1993.

“Annual Report” means the comprehensive report which includes information on Auckland Airport’s financial and service performance for that particular year.

“Auckland Airport” means Auckland International Airport Limited and, where the context requires, includes subsidiaries of Auckland International Airport Limited.

“Board” means the Board of Directors of Auckland Airport.

“Business” means the business of Auckland Airport.

“Chair” means the Chair of the Board.

“Chief Executive” means the person appointed by the Board to perform the role of Chief Executive of Auckland Airport, regardless of the title conferred on that person.

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

“Constitution” means the constitution of Auckland Airport dated 23 November 2004 as amended from time to time.

“Directors” means members of the Board.

“Management” means the Chief Executive and the Chief Executive’s direct reports.

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

“Shareholders” means the shareholders of Auckland Airport.

This Charter sets out Auckland Airport’s approach to corporate governance. It is not an exhaustive document and is intended to be read together with the Constitution and Auckland Airport’s other policies. The Constitution is Auckland Airport’s primary governance document and, in the event of any conflict, the Constitution will prevail.

## 2. Board Governance Process

### 2.1 Role of the Board

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- (a) The primary role of the Board is to add long-term value to Auckland Airport's shares, having appropriate regard to the interests of all material stakeholders.
- (b) Having regard to its role, the Board will direct, and monitor the management of, the Business and affairs of Auckland Airport including, in particular:

### ***Strategy***

- Ensuring that the strategic goals of Auckland Airport are clearly established, and that strategies are in place for achieving them (such strategies generally being expected to originate, in the first instance, from Management);
- Deciding on the steps necessary to protect Auckland Airport'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 Auckland Airport, including ensuring that Management is pro-actively seeking to build the Business through innovation and initiative;
- Setting Auckland Airport's dividend policy;

### ***Management***

- Monitoring the performance of Management, including overseeing implementation of Auckland Airport's strategic objectives and performance;
- Appointing the Chief Executive, setting the terms of the Chief Executive's employment contract, reviewing the performance of the Chief Executive and, where necessary, terminating the Chief Executive's employment with Auckland Airport;

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

- Approving and monitoring Auckland Airport's financial statements and other accounting reporting systems, including the external audit and reporting to Shareholders and other stakeholders;
- Ensuring Auckland Airport provides effective and timely reporting to Shareholders;
- Establishing procedures to ensure the implementation of, and adherence by appropriate management levels to, Auckland Airport's Disclosure and Communications Policy;
- Overseeing accounting and reporting systems (including the external audit) and the issuer's compliance with its continuous disclosure obligations;
- Adopting Auckland Airport's remuneration policy and other corporate governance documents;

### ***Ethics***

- Ensuring that Auckland Airport adheres to high standards of ethics and corporate behaviour;

### ***People***

- Approving and monitoring Auckland Airport's occupational safety and health system with a view to ensuring the safety of Auckland Airport's employees, contractors, agents and public at our sites;
- Establishing procedures and systems to promote a culture and remuneration practice within Auckland Airport which facilitates the recruitment, professional development and retention of staff;
- Establishing measurable objectives for achieving diversity within the business;

### ***Expenditure***

- Setting specific limits on the authority for Management to commit to new expenditure, enter contracts or acquire businesses or assets without specific prior Board approval and approving any transactions above the specified delegated authority limits;
- Approving and monitoring the progress of major capital expenditure, capital management and material acquisitions and divestitures; and

### ***Risk Management***

- Ensuring that Auckland Airport has appropriate risk management/regulatory compliance policies and processes in place and monitoring the integrity of those policies and processes.
- (c) In the normal course of events, day-to-day management of Auckland Airport will be the responsibility of Management through a delegation of the Board's authority to the Chief Executive.
- (d) Management will be responsible for implementing the strategic objectives set by the Board.
- (e) Management should provide the Board with sufficient timely information to enable the Board to perform its responsibilities.
- (f) Directors are entitled to rely on information or advice from Auckland Airport employees on matters within their responsibility, and on external professional advisers or experts (including Auckland Airport's auditors) on matters within their professional or expert competence, provided that:
- (i) the Directors do not know, or have reason to believe, that such reliance is unwarranted;
  - (ii) the Directors have reasonable grounds to believe that each person on which the Board relies is reliable and competent in relation the matters concerned; and

- (iii) the Directors make proper inquiry where the need for inquiry is indicated by the circumstances (including whether further information is required or available in order to make a decision on a given matter).
- (g) Each Director must apply an independent and enquiring mind, as well as his or her own knowledge of Auckland Airport and its business, to evaluate a given matter and to form his or her own opinion on that matter. Directors must not substitute any information or advice provided by an employee or external professional adviser for his or her own examination of important matters.
- (h) The Board may rely on information provided by any committee of the Board and its members in relation to matters within the Committee's responsibility under the terms of this Charter (subject to the same provisos as set out above).
- (i) It is the responsibility of each Director to bring to the attention of the Board any issue which a Director becomes aware of which is relevant to the ability of the Board to fulfill its responsibilities.

## **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 Auckland International Airport.
- (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 Auckland Airport 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 Chair 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. The Board will have regular opportunities to meet without representatives of Management present.
- (d) Executive Directors attend Board meetings to discharge their Board responsibilities. At Board meetings, Board responsibilities supercede all executive responsibilities.
- (e) The Board has sole authority over its agenda and exercises this through the Chair. Any Director may, through the Chair, require the addition of an item to the agenda.

The agenda for each meeting will be set by the Chair in consultation with the Chief Executive and the Company Secretary.

- (f) The Board will normally hold at least six meetings in each year. At each normal meeting, Auckland Airport's register of Directors' interests will be updated as necessary and the Board will consider:
- an operational report from the Chief Executive;
  - a report from the Chief Financial Officer;
  - reports on the activities of Auckland Airport's individual business units;
  - specific proposals for capital expenditure and acquisitions in accordance with Auckland Airport's delegated authority policy;
  - major issues and opportunities for Auckland Airport; and
  - matters requiring public disclosure.
- (g) The Board will at least bi-annually review Auckland Airport's Ethics and Code of Conduct Policy.
- (h) The Board will at least annually:
- review and approve the strategic goals of Auckland Airport;
  - review the operational plans for achieving the strategic goals of Auckland Airport;
  - approve the annual budget;
  - approve the annual and half-yearly financial statements, associated reports to Shareholders and public announcements;
  - approve the Annual Report;
  - consider Auckland Airport's dividend policy and, if appropriate, declare or recommend the payment of dividends;
  - review the Board composition, structure and succession;
  - review Auckland Airport's audit requirements;
  - review the performance of, necessity for and composition of Board committees;
  - undertake Board and individual Director evaluations;
  - review Directors' remuneration;
  - review the Chief Executive's performance and remuneration;
  - review remuneration policies and practices in general, including superannuation and incentive schemes for Management;

- review risk assessment policies and controls, including insurance covers and compliance with legal and regulatory requirements;
  - review core corporate governance documents;
  - review and assess Auckland Airport's objectives for achieving diversity and progress in achieving those objectives; and
  - settle the Board's work plan for the following year.
- (i) The Board will at least every two years:
- review this Charter and the charters of its standing Committees;
  - review Shareholder, material customer and material supplier relations; and
  - review donations and sponsorships.
- (j) Directors are entitled to have access, at all reasonable times, to all relevant Auckland Airport information and to Management. The Board encourages the Chief Executive to bring employees to Board meetings who can provide additional insight into the items being discussed because of personal involvement or expertise in such matters, including employees whose future potential the Chief Executive believes should be given exposure to the Board.
- (k) Directors are expected to strictly observe the provisions of the Act applicable to the use and confidentiality of Auckland Airport information.

## **2.4 Chair**

- (a) The Board will appoint a Chair from among the Directors.
- (b) The Chair will be an independent non-executive Director.
- (c) The Chair 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 the Chief Executive over all operational matters and promptly consulting with the remainder of the Board over any matter that gives cause for significant concern;
  - acting as facilitator at meetings of the Board; and
  - ensuring that Board discussions result in logical and understandable outcomes.

## **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 Chair.
- (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 the Board is to discharge and perform in setting Auckland Airport's strategy and seeing that it is implemented.
- (b) The size of the Board will be in accordance with Auckland Airport'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.
- (d) Subject to any limitations imposed by Shareholders in the general meeting, it is anticipated that non-executive Directors will hold office initially for three years following their first appointment (or, if appointed by the Board between Annual Meetings, from the date of the meeting next following the appointment), subject to any obligation to retire by rotation in accordance with Auckland Airport's Constitution.
- (e) A Director shall not serve a term of longer than nine years unless the Board considers that for any Director to serve longer than that period would be in the best interest of Shareholders.

## **2.7 Induction of New Directors**

- (a) Individuals identified by the Board as potential Directors are encouraged to familiarise themselves with Auckland Airport and the Business before accepting an appointment to the Board.
- (b) Each newly appointed Director will enter into a written agreement with Auckland Airport which establishes their terms of appointment.
- (c) On their first appointment, non-executive Directors will have the benefit of an induction programme aimed at deepening their understanding of Auckland Airport, the Business, and the environment and markets in which Auckland Airport operates. As part of the programme, Directors will receive a folder of essential Board and Auckland Airport information and will meet key Management.
- (d) Directors are expected to keep themselves abreast of changes and trends in the Business and in Auckland Airport's environment and markets, and to keep abreast of changes and trends in the economic, political, social and legal climate generally.

## **2.8 Directors' Remuneration**

- (a) The Board will determine the level of remuneration paid to Directors within the amounts approved by Shareholders.
- (b) Non-executive Directors will be paid a basic fee as ordinary remuneration and will be paid, as additional remuneration, an appropriate extra fee as Chair of a Board committee and an appropriate extra fee for any special service as a Director as approved by the Board. The Chair will be paid a level of fees appropriate to the office. Remuneration will be reviewed annually by the Board after taking independent advice.
- (c) Executive Directors will receive no fees, but will be paid as employees of Auckland Airport in accordance with their contracts of employment with Auckland Airport.
- (d) No retirement allowances are provided to Directors appointed after 21 April 2004 and retirement allowances for Directors appointed prior to that date are frozen at the level applying at the date of Auckland Airport's 2004 annual meeting.
- (e) Auckland Airport will reimburse Directors for reasonable out of pocket expenses incurred as a result of their performance of their role. All Directors' expenses must be approved by the Chair. The Chair's expenses shall be approved by the chair of the Audit & Financial Risk Committee.

## **2.9 Shareholding by Directors**

- (a) Directors are encouraged to hold shares in Auckland Airport.
- (b) When buying or selling shares, Directors must strictly observe the provisions of Auckland Airport's Constitution, Auckland Airport's own internal rules (including Auckland Airport's Insider Trading Policy) and all relevant legislative or regulatory procedures.
- (c) All changes in shareholding shall be reported to the Board and the stock exchanges on which Auckland Airport is listed in accordance with the rules of those exchanges.

## **2.10 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 Auckland Airport.
- (b) Notwithstanding the general rule, Auckland Airport may:
  - for 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 the 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.

## **2.11 Other Board Appointments**

- (a) While holding office, a Director may accept other Board appointments, so long as the appointment is not in conflict with the Business, and is not likely to detrimentally



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 Chair before being accepted.

- (b) It is recognised that, from time to time, conflicts of interest may arise as a result of Director's appointments to the board of, or other involvement with, other organisations. In such situations, Directors will put in place appropriate processes, including excluding themselves from discussions in respect of such businesses, to ensure that the effect of such conflict of interest is minimised.

## **2.12 Independent Professional Advice**

- (a) Any Director is entitled to obtain independent professional advice relating to the affairs of Auckland Airport 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 Chair.
- (c) Subject to the prior approval of the Chair, the cost of the advice will be reimbursed by Auckland Airport, but the Director will ensure, so far as is practicable, that the cost is reasonable.

## **2.13 Board, Director and Committee Evaluations**

- (a) Each year, the Board will critically evaluate its own performance, and its own processes and procedures, including those of its Directors and Board committees, to ensure that they are not unduly complex, are designed to assist the Board in effectively fulfilling its role and are delivering to a high standard.
- (b) Each year, the performance of individual Directors will be evaluated by a process which includes:
  - each Director will discuss with the Chair that Director's contribution to the proceedings of the Board and the performance of the Board and its Board committees generally; and
  - the Chair's own contribution will be discussed with the rest of the Board.
- (c) An independent review of the performance of individual Directors and the Board will be undertaken biannually.
- (d) Directors are expected to continuously educate themselves to ensure they can appropriately and effectively perform their duties. Visits to Auckland Airport operations and briefings from Management and industry experts will be arranged where appropriate to assist the Board in performing its duties.

## **2.14 Indemnities and Insurance**

- (a) Auckland Airport 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) Auckland Airport will maintain specified corporate documents and provide Directors with access to those documents.

## **2.15 The Company Secretary**

- (a) The appointment and removal of the Company Secretary is made on the recommendation of the Chief Executive and must be approved by 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.
- (c) The Company Secretary is responsible for ensuring that the statutory functions of the Board and Auckland Airport are appropriately dealt with and for bringing to the Board's attention any failure to comply with such statutory functions, of which the Company Secretary becomes aware.
- (d) All Directors, particularly the Chair, 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 Management is delegated through the Chief Executive so that the authority and accountability of 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 Auckland Airport.
- (c) Between Board meetings, the Chair will maintain an informal link between the Board and the Chief Executive, and will be kept informed by the Chief Executive on all important matters. The Chair 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 Auckland Airport. 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 Auckland Airport's ethics and code of conduct policy;
- (c) adhere to Auckland Airport's strategic goals in allocating the capital and resources of Auckland Airport;
- (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 Auckland Airport becoming financially embarrassed;
- (f) adequately maintain and protect the assets of Auckland Airport;
- (g) protect employees and other parties working for Auckland Airport 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 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 Auckland Airport 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 opinion of the Board, be independent of Management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of his or her unfettered and independent judgement.

In judging whether a Director is an “Independent Director”, the Board will have regard to whether or not:

- The Director is a Substantial Product Holder (as that term is defined in section 6 of the Financial Markets Conduct Act 2013) in Auckland Airport or if he or she represents or is a senior manager of or otherwise associated directly with a Substantial Product Holder of Auckland Airport.
- The Director is or has been employed in an executive capacity by Auckland Airport and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- The Director has been within the last three years a material supplier or customer of Auckland Airport or is an officer or employee of or otherwise associated with a material supplier or customer.
- The Director has a material contractual or other material relationship with Auckland Airport other than as a Director.

- The Director has been within the last three years a principal of a material professional adviser or a material consultant to Auckland Airport 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 Auckland Airport.
- 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 Auckland Airport.
- 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 Auckland Airport) the Director or the associated person of the Director has with Auckland Airport or a Substantial Product Holder of Auckland Airport.

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

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. The Board will identify which Directors it has determined to be independent and advise the New Zealand Stock Exchange and Australian Stock Exchange of such as prescribed by the listing rules of those exchanges.

The Board will regularly review these Independent Director standards to ensure that they comply with requirements of the listing rules of the New Zealand Stock Exchange and Australian Stock Exchange.

**Next Review Date**

August 2019