

12 FEBRUARY 2019

# Board Charter



## Introduction

1. This Board Charter ("**Charter**") sets out how the Board will exercise and discharge its powers and responsibilities in relation to the business and affairs of Chorus Limited ("**Chorus**"). In performing its role, the Board aspires to continuously improve corporate governance at Chorus, as appropriate for an NZX Main Board and ASX dual listed company.

## Purpose

2. This Charter sets out the role, composition, responsibilities and duties, procedures, powers and authority, and review and accountability of the Board, Board Committees and the relationship between the Board and the Chief Executive Officer ("**CEO**") and the CEO's Executive team (together "**Management**").
3. The use of Board Committees and other key governance documents are illustrated in **Appendix A**.

## Governance at Chorus

4. Chorus owns and operates an open access communications infrastructure network and supplies wholesale fixed access and aggregation services in and for New Zealand. Chorus is a nationwide provider, active in many communities with significant commercial partnerships. As a cornerstone partner of the Crown, Chorus is making significant investment in New Zealand's future by building fibre infrastructure and services that retail service providers can use to serve urban and rural New Zealanders.
5. Chorus strives to understand, meet, and appropriately balance the expectations of all its stakeholders to achieve its business strategies and deliver value to shareholders and a sustainable environment for Chorus in the long term.
6. Chorus provides critical digital infrastructure enabling New Zealand as a digital nation. Chorus is continually innovating and investing to improve the experience for broadband customers.

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7. Chorus is committed to working with its retail service provider customers and the wider telecommunications industry to support the transition to fibre services. Chorus continues to actively engage with local communities to ensure they are part of the journey and are able to make the most of this world-class infrastructure for New Zealand.
8. Chorus is especially cognisant of maintaining its important relationship with the Crown under the ultra-fast broadband (“UFB”) and RBI initiatives.
9. Against that background, the Board has adopted the following corporate governance objectives for Chorus:
  - To promote ethical and responsible decision-making in line with Chorus’ values.
  - To ensure that, through its balance of independence, skills knowledge and experience, it is positioned to add value.
  - To safeguard integrity in its financial and non-financial reporting.
  - To make timely and balanced disclosure.
  - To remunerate Directors and executives in a fair, transparent and reasonable manner.
  - To ensure it has a sound understating of the material risks facing Chorus and how those are managed.
  - To ensure the quality and independence of the external audit process.
  - To respect the rights of its shareholders and foster constructive relationships with them.
  - To encourage enhanced performance.
  - To promote a corporate culture that embraces diversity and inclusiveness.
10. Each Director will (when acting as a Director of Chorus) conduct themselves in accordance with his or her legal duties and other obligations, including the duty to act in good faith and in what the Director believes to be the best interests of Chorus. More specific expectations of Directors are set out in the Directors’ Code of Ethics, which specifies professional conduct standards for Directors so that Directors act consistently with Chorus’ values, culture, reputation, business goals, legal obligations and policies.

## Governance Roles

### Board

11. The Board is appointed by Chorus’ shareholders and has statutory responsibility for the business and affairs of Chorus. The Board has overall responsibility for Chorus’ strategy, culture, governance and performance working with, and through, the CEO.

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### Chairman

12. The Chairman is elected by the Board. The Chairman's role is to provide leadership and manage the Board effectively. The Chairman is separate from the CEO. The Chairman and CEO must have a strong and effective working relationship as it facilitates effective working relationships between the Board and Management.

### Deputy Chairman

13. The Board may appoint an independent Director as Deputy Chairman of the Board to undertake any duties required by the Board.

### CEO

14. As the principal representative of Chorus, the CEO is responsible for implementing a culture and driving performance within Chorus that supports trust in Chorus, the Chorus reputation, the development and achievement of business strategies and aligns with a range of stakeholder expectations.
15. The Board will act as an advisor and coach to Management to contribute to performance as well as continuous learning and improvement. Using their knowledge and experience, the Board will constructively challenge as part of overseeing and monitoring the work and performance of Management.

## Responsibilities and Duties

16. In carrying out its role, the Board's specific responsibilities include:
- Approving, and reviewing performance against, Chorus' Business Strategy and Plan:
    - each year, the Board reviews and approves Chorus' Business Plan for the following year, including the capital expenditure and operating budget for the following year.
    - the Board is also involved in ongoing strategy development, setting the risk appetite and the assessment of business opportunities and risks. It is also responsible for the oversight of the control and accountability systems within Chorus.
  - Monitoring and, where appropriate, approving Chorus' financial and other reporting.
  - Monitoring compliance with Chorus' continuous disclosure obligations.
  - Appointing and removing the CEO, the Chief Financial Officer and the General Counsel and Company Secretary.

## Delegation of Powers and Authority

17. The Board has appointed three standing Board Committees (as outlined below) to

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assist it in carrying out its responsibilities, and has delegated some of its responsibilities, powers and authority to those Board Committees.

18. In addition, the Board may also, from time to time:
  - Establish ad hoc or other standing Board Committees, and delegate responsibilities, powers and authority to those Committees; and
  - Delegate specific responsibilities, powers and authority to particular Directors and/or members of Management.
19. Non-executive Directors are not employees of Chorus.

## Delegation to, and role of, Management

### Chief Executive Officer

20. The Board has delegated authority, in part, to the CEO through the Delegated Authority Policy Framework to allow for the effective day to day management and leadership of Chorus. In accordance with the Delegated Authority Policy Framework, the CEO may also sub-delegate authority to other members of Management, and certain other Chorus people, within specified financial and non- financial limits.
21. Within the delegation of authority there is a delegation of responsibility and accountability. When Chorus' people make decisions under a delegated authority, they are authorised to exercise appropriate and informed decision making within a controlled, accountable and transparent framework, with reference to budgets, compliance with the law and the objectives of Chorus.
22. The Delegated Authority Policy Framework specifies those matters that have been reserved to the Board, and any decision making that needs to be notified to the Board.
23. The CEO attends all Board and Nominations and Corporate Governance Committee meetings, except for meetings held "in camera" without Management present.
24. The CEO attends meetings of the Audit and Risk Management Committee and Human Resources and Compensation Committee if invited to do so by their Chairmen (but may be asked to leave at any time).

### Chief Financial Officer

25. The Chief Financial Officer ("CFO") is appointed by the Board (on the recommendation of the CEO and after review by the Human Resources and Compensation Committee). The CFO attends all Board meetings and, if invited to do so by its Chairman, all Audit and Risk Management Committee meetings (but may be asked to leave at any time).

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### General Counsel and Company Secretary

26. The General Counsel and Company Secretary is appointed by the Board (on the recommendation of the CEO and after review by the Human Resources and Compensation Committee) and:
- Is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board;
  - Attends all Board meetings (but may be asked to leave at any time);
  - Attends all Nominations and Corporate Governance Committee meetings (but may be asked to leave at any time);
  - Attends meetings of the Audit and Risk Management Committee and Human Resources and Compensation Committee if invited to do so by their Chairmen (but may be asked to leave at any time); and
  - Acts as a reference point between the Board and Management by being accessible to all Directors and Management.
27. The General Counsel and Company Secretary plays a significant role in contributing to good governance through monitoring compliance with Board policies and procedures, ensuring that Board business is accurately recorded, timely completion and distribution of Board materials, monitoring completion of actions and retaining independent professional advisers or experts at the request of the Board or a Board Committee.

### General Manager, Human Resources

28. The General Manager, Human Resources attends all meetings of the Human Resources and Compensation Committee at the invitation of that Committee's Chairman (but may be asked to leave at any time).

### Evaluating the Performance of Management and Succession Planning

29. The Board has delegated certain responsibilities relating to these matters to the Human Resources and Compensation Committee (as set out in that Committee's Charter). The Human Resources and Compensation Committee meets with the Board and the Chairman to discuss the CEO's performance and remuneration. The Chairman then meets with the CEO to discuss performance and to provide guidance.
30. The CEO reports annually to the Human Resources and Compensation Committee regarding development and succession planning for other members of Management.

## Delegation to, and role of, Board Committees

### Standing Board Committees

31. The Board currently has the following standing Board Committees (each with a Board

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approved Charter and Chairman):

- **Audit and Risk Management Committee:** assists the Board in ensuring oversight of all matters relating to risk management, financial management and controls, and the financial accounting, audit and reporting of Chorus.
  - **Human Resources and Compensation Committee:** assists the Board in overseeing people policies and strategies including remuneration frameworks.
  - **Nominations and Corporate Governance Committee:** assists the Board in promoting and overseeing continuous improvement of good corporate governance.
32. These Committees assist the Board by focusing on specific responsibilities in greater detail than is possible for the Board as a whole. The Board will ensure that each Committee has access to adequate resources (both internally and externally) to allow the Committee to perform its functions effectively and efficiently.

### Senior Committee and Steering Committee

33. The Network Infrastructure Project Agreements (“**NIPAs**”) with Crown Fibre Holdings Limited (“**CFH**”) relating to the Government’s UFB initiatives, allocate various governance related rights over the respective terms of the NIPAs between Chorus and CFH, including:
- Steering Committees to oversee all material matters relating to Chorus’ deployment of the UFB network; and
  - Senior Committees which are responsible for overseeing the decision making rights around certain “Fibre Commitments” in the NIPAs and Chorus’ fibre business plan, where agreement on these matters cannot be reached by the Board and the Steering Committees.
34. Directors may be appointed as members of the Steering Committees. The Chairman of the Board is a member of the Senior Committees. Any such appointment does not limit the duty or role of any Director, when exercising powers or performing duties as a Director, to act in a manner that he or she believes is in the best interests of Chorus.

### Operation of Board Committees

35. **Schedule 1** to this Charter sets out matters that apply to all standing Board Committees, including:
- Composition and membership;
  - Procedure;
  - Responsibilities and duties; and
  - Powers and authorities.

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36. In addition to these common matters, additional or specific requirements may be set out in a standing Board Committee's Charter (and any such requirements must be read in conjunction with the general provisions in Schedule 1).
37. The matters in Schedule 1:
- Will, unless specified otherwise, also apply to any ad hoc Board Sub-Committees established by the Board.
  - Do not apply to the Steering Committees or the Senior Committees established under the NIPAs.

### Review and Accountability of Board Committees

38. The Board will annually review and evaluate the performance of each Committee to ensure it is operating consistently with its Charter and all relevant Board delegations. Each Committee Charter will be reviewed at least every two years or as considered appropriate.

## Relationships with Shareholders

39. Chorus is committed to fostering constructive relationships with shareholders that encourage them to engage with Chorus. In particular, Chorus is committed to:
- Communicating effectively with shareholders;
  - Giving shareholders ready access to balanced and understandable information about Chorus and its corporate proposals;
  - Making it easy for shareholders to participate in Chorus' general meetings; and
  - Maintaining an up to date website providing shareholders with information about Chorus, its business and affairs.
40. The First Schedule of Chorus' Constitution contains ownership restrictions. Any request for approval to exceed those ownership restrictions is a matter for the Crown.

## Board Procedure

### Board Meetings

41. The Board normally meets around eight times a year. The Board may meet on an "in camera" basis without Management present, as the Board considers necessary.
42. The procedure for Board meetings is set out in the Fifth Schedule to Chorus' Constitution.

### Board Materials and Presentations

43. The Chairman of the Board meets with the CEO prior to each Board meeting to discuss

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the agenda for the forthcoming Board Meeting. Each Committee or Director is able to suggest agenda items.

44. To enable appropriate review of Board materials, Directors will generally receive materials seven days in advance of meetings for items to be acted upon, except in the case of special meetings for which the time period may be shorter due to the urgency of the matter to be considered. Templates and guidance are in place concerning the content, presentation and delivery of papers. Papers are taken as read and summarised at meetings so that discussion is appropriately focused on the issues requiring Board input and determination.
45. The Board encourages the CEO to bring Chorus people to Board meetings who can provide additional insight into the items being discussed because of personal involvement in those matters. This includes Chorus people whose future potential the CEO believes should be given exposure to the Board.
46. All Directors have access to Chorus people to discuss issues or obtain further information on specific areas, as they think appropriate.

### Reliance on advice

47. A Director may, with the Chairman's prior approval (or in the Chairman's absence the Deputy Chairman's approval), retain, consult with, or terminate the use of, external independent consultants and experts (including legal advisers) and may request the attendance of such adviser, experts or consultants at a Board or Board Committee meeting where this is necessary to fulfil the relevant role and responsibilities for Chorus. The costs of any such adviser, experts or consultants will be paid by Chorus.
48. Directors (as members of the Board and as members of any Board Committees) are entitled to rely on Management, in relation to matters within their responsibility and area of expertise, and may assume the accuracy of information provided by Management, so long as:
  - The Director acts in good faith;
  - The Director makes proper inquiry where the need for this is indicated by the circumstances;
  - The Director brings an enquiring mind and their own knowledge of Chorus to evaluate the information and advice provided; and
  - The Director has no knowledge that any such reliance or assumption may be inappropriate.
49. The Board may rely on information provided by a Board Committee (or its members) in relation to matters within that Committee's delegated responsibility (subject to the same provisos set out above).



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### Remuneration of Directors

50. Director remuneration is paid in the form of Directors' fees. Additional fees are paid to the Chairman and Deputy Chairman of the Board and each Committee to reflect the additional responsibilities of these positions. The Board may determine that additional fees and allowances be paid to a Director, as appropriate, to reflect additional services provided to Chorus by that Director. The total fees available to be paid to Directors are subject to shareholder approval.

### Reimbursement of Directors' Expenses

51. In summary, Chorus meets the following expenses of Directors:
- Travel directly associated with attendance at Board and Committee meetings, Board trips and Board business;
  - Any costs associated with attendance at functions where the Director is representing Chorus;
  - Any travel costs directly associated with a Director's spouse's/partner's attendance at functions where their attendance is considered appropriate to represent Chorus' interests;
  - Any expenses directly associated with the performance of the Director's role; and
  - Education within the allocated budget and where pre-approved by the Chairman.
52. Directors' expenses must be approved by the Chairman. The Chairman's expenses must be approved by the Chairman of the Audit and Risk Management Committee.

### Remuneration of CEO

53. The CEO's remuneration is paid in the form of a salary. The CEO may also be entitled to participate in various Chorus incentive schemes (subject to any necessary shareholder approval requirements).

### Trading in Chorus Shares

54. All non-executive Directors are encouraged to hold Chorus shares.
55. Directors are subject to limitations on their ability to deal in Chorus securities by Chorus' Insider Trading Policy, the New Zealand Financial Markets Conduct Act 2013 and the Australian Corporations Act 2001. These limitations include the requirement that Directors may not deal in Chorus securities or the securities of another issuer while in possession of inside information about that entity.
56. As a matter of policy, Chorus also requires that prior to dealing in Chorus securities, consent must be obtained from the Chairman (or in the Chairman's case, the Chairman of the Audit and Risk Management Committee) and that trading may only

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occur in accordance with Chorus' Insider Trading Policy.

57. All changes in any interests in Chorus shares held by Directors are required to be reported to the Board and the NZX and ASX.

## Board Membership

### Board Composition

58. Chorus' Constitution provides that the Board must comprise between five and twelve Directors. In addition:
  - The Board has agreed that a majority of Directors (including the Chairman) must meet the independence requirements (see below);
  - The Constitution requires at least half of the Board to be New Zealand citizens; and
  - Under the Deed of Operational and Governance Undertakings (given to the Crown), no person associated with a person that provides Telecommunications Services in New Zealand (other than the services to be provided by Chorus) may be appointed or hold office as a Director.
59. Each Director will fully disclose to the Board all information necessary to enable Chorus to ensure compliance with these requirements.

### Rotation

60. Directors must not hold office (without re-election) past the third annual shareholders meeting following their appointment, or three years, whichever is longer. A Director appointed by the Board must not hold office (without re-election) past the next annual shareholders meeting following their appointment. There is no maximum term for which a person can remain a Director.

### Independence

61. In order for a Director to be considered independent, the Board must affirmatively determine that the Director does not have a disqualifying relationship (other than solely as a consequence of being a Director). The basis for determining whether a Director has a disqualifying relationship is set out in **Schedule 2** to this Charter.
62. The Board will review any determination it makes as to a Director's independence on becoming aware of any information that indicates that the Director may have a disqualifying relationship or a material relationship with Chorus. The Board will disclose which Directors are independent in Chorus' annual report.
63. The Chairman's other commitments must not be such that they are likely to hinder his or her effective performance in the role.

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### Nomination

64. Potential candidates for appointment as Directors on the Chorus Board and Board Committees are recommended by the Nominations and Corporate Governance Committee. To be eligible for selection, candidates must demonstrate appropriate qualities and experience, satisfy the Board they will commit the time needed to be fully effective in their role, and meet the certification requirements established by any stock exchange on which Chorus is listed.
65. Directors are selected based on a range of factors including the perceived needs of the Board at the time. These factors include the independence, qualifications, skills and experience of candidates. The Board will first review the skills and competency needs of Chorus and those of existing Board members.
66. In addition, under the NIPAs, CFH is entitled to nominate one person as an independent Director of Chorus. The Board must consider this nomination in good faith, but the appointment (and removal) of any such person as a Director will be made by Chorus' shareholders in the same way as other Directors.
67. All Directors will undertake due diligence prior to appointment.
68. The nomination of new Directors to be appointed by way of casual vacancy is considered by all Directors. All Directors will have the opportunity to meet with potential new Directors prior to their appointment.

### Induction

69. The Board seeks to ensure that new Directors are appropriately introduced to Management and the Chorus business, that all Directors are acquainted with relevant industry knowledge and economics and that they receive a copy of this Charter, the Charters of the Board Committees and the key governance documents referred to in **Appendix A** to this Charter.

### Continuous Education

70. It is expected that all Directors continuously educate themselves to ensure that they have appropriate expertise and can effectively perform their duties.
71. In addition, visits to Chorus' operations, briefings from key Management and industry experts or key advisers to Chorus, and educational and stakeholder visits, briefings or meetings will be arranged for the Board.

## Review and Accountability

### Review and Evaluation of Board Performance

72. The Chairman meets regularly with Directors to discuss individual performance.

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73. The Board will review and evaluate the performance of the Board, individual Directors and Committees annually utilising a Board evaluation process established, developed and overseen by the Nominations and Corporate Governance Committee.
74. The Board will ensure that the appointment of the Chairman, Deputy Chairman and Chairman of all standing Board Committees is reaffirmed annually (usually after the end of each financial year and before the annual shareholders meeting). In the event that any role is not reaffirmed, the Board will seek nominations for that role and make an appointment.
75. The Human Resources and Compensation Committee reviews the remuneration of Directors based on criteria developed by that Committee.

### Review of Governance Documents

76. This Board Charter, the Charters of Board Committees and other key governance documents that appear in **Appendix A** will be reviewed at least every two years by the relevant Committees overseeing them and by the Board.

### Accountability

77. While this Board Charter, the Charters of Board Committees and other key governance documents that appear in **Appendix A** set out the key aspects of Chorus' corporate governance, they are not themselves intended to independently give rise to legal rights or obligations on Directors and Chorus people (employees and contractors).

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### Schedule 1: Board Committees

#### Membership

1. These membership of each Board Committee must comply with the following:
  - The members and Chairman of each Board Committee are appointed (and removed) by the Board.
  - Each standing Board Committee must have at least three Directors as members.
  - A majority of the members of each standing Board Committee (including the Chairman of each such Committee) must be independent (in accordance with the independence criteria set out in this Charter); and
  - Unless specified otherwise in a Board Committee's Charter, Chorus people who are not Directors cannot be appointed as members of a standing Board Committee.

#### Remuneration

2. The remuneration payable to any member of a Board Committee (if any) will be determined by the Board.

#### Procedure

3. Standing Board Committees are generally scheduled to meet two to four times each year. Additional meetings are held as a Committee Chairman considers necessary.
4. A quorum of a standing Board Committee is two members.
5. The Chairman of a standing Board Committee:
  - May call informal meetings to discuss draft proposals or senior management issues where considered appropriate to fulfil the responsibility of the Committee effectively and efficiently;
  - Will discuss the agenda and meet with relevant Management before each meeting;
  - May communicate with any Chorus people to seek information or invite any person to a meeting where this is necessary to enable the Board Committee to perform its role;
  - May request that any person leave a meeting at any time (this includes members of the Board Committee and Management);
  - Will ensure that papers submitted to that Board Committee are circulated to all Directors (not just members of the Board Committee) by the General Counsel and Company Secretary;
  - Will ensure that the Committee's Charter appears on Chorus' external

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website; and

- Will report back any Board Committee recommendations (or resolutions, where a Board Committee has been delegated authority to make decisions on the Board's behalf) at the Board meeting immediately following the Board Committee meeting.
6. Any member of the Board may attend any Board Committee meeting at any time. Any such Board member who attends a Board Committee meeting will attend as an observer only (and will not be counted in the quorum or be able to vote). Chorus people may attend Audit and Risk Management and Human Resources and Compensation Committee meetings at the invitation of the respective Committee chairmen.
  7. The procedures set out above apply to ad hoc Board Sub-Committees unless the Board specifies otherwise.

### Roles and Responsibilities

8. The role of, and the responsibilities delegated to, a standing Board Committee will be specified in its Charter. Generally, a standing Board Committee's role will be to assist the Board to discharge the Board's duties (including reviewing, monitoring and overseeing Management and making recommendations to inform Board decision-making).
9. The role of, and the responsibilities delegated to ad hoc Board Sub-Committees will be specified by the Board.

### Powers and Authority

10. The three standing Board Committees have the following powers:
  - Any of the Board Committee's responsibilities can be delegated to the Chairman of the Committee at any time and on any conditions which the Board Committee considers appropriate;
  - Any activity in Chorus which is covered by the Board Committee's role (as set out in its Charter) can be investigated by the Committee; and
  - A Board Committee may retain, consult with, or terminate the use of, external independent consultants and experts (including legal advisers) and request the attendance of such adviser, experts or consultants at a Committee meeting (and the costs of this will be paid by Chorus).

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### Schedule 2: Disqualifying Relationships

#### Determining whether there is a Disqualifying Relationship

1. In determining whether a disqualifying relationship exists, the Board will consider the following:
  - a. 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:
    - i. bring an independent view to decisions in relation to Chorus;
    - ii. act in Chorus' best interests; and
    - iii. represent the interests of Chorus' financial product holders generally, having regard to,
  - b. Whether the Director:
    - i. Is a substantial product holder of Chorus, or is an officer, senior manager of, or person otherwise associated with, a substantial product holder of Chorus.
    - ii. Has been a Director of Chorus for a length of time that may compromise independence.
  - c. Whether the Director is currently or has at any time during the past three years been:
    - i. Employed in an executive capacity by Chorus or any of its subsidiaries.
    - ii. In a senior role or a principal or director in a provider of material professional services to Chorus or any of its subsidiaries.
    - iii. In a material business relationship (e.g. as supplier or customer) with Chorus or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship.
    - iv. In a material contractual relationship with Chorus or any of its subsidiaries, other than as a director.
  - d. Has close family ties with any person who falls within any of the above categories.

#### Meaning of terms used

2. For the purposes of the definition of disqualifying relationship:
  - a. "material" is to be considered having regard to the materiality to Chorus,

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- the Director and the person or organisation with which the Director is related (e.g. the customer, supplier or adviser);
- b. "relationship" is to be interpreted broadly and includes indirect relationships and direct relationships such as employment and other contractual relationships;
  - c. "senior manager" has the meaning given in section 6 of the Financial Markets Conduct Act 2013; and
  - d. "substantial product holder" is a person who has a relevant interest in 5% or more of the voting securities of the company.



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### Appendix A: Overview of Chorus' Governance

