

JUNE 2019

Board Charter



Purpose

1. This Charter sets out the:
 - Board's roles and responsibilities
 - Board's composition, review and accountability, and
 - relationship between the Board and CEO and CEO's executive team (together **Management**).

Governance Objectives

2. 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.
3. The Board has adopted the following corporate governance objectives:
 - to have the right balance of independence, skills, knowledge and experience to add value
 - to promote ethical and responsible decision-making in line with Chorus' values
 - to respect the rights of, and establish constructive relationships with, shareholders
 - to have a sound understanding of the principal risks Chorus faces and how those are managed
 - to safeguard the integrity of Chorus' financial and non-financial reporting
 - to ensure the quality and independence of the external audit process
 - to make timely and balanced disclosure to the market
 - to promote a corporate culture that embraces diversity and inclusiveness, and
 - to remunerate Directors and executives fairly, transparently and reasonably.

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Board

4. The Board's primary role is to create long-term value for shareholders.
5. The Board is responsible for Chorus' strategy, culture, governance and performance working with, and through, the CEO.

Responsibilities and Duties

6. The Board's specific responsibilities include:
 - leading culture "from the top" so Chorus' culture is consistent with its values
 - overall governance and strategic leadership
 - engaging in ongoing strategy development
 - approving, and reviewing performance against, Chorus' strategy and business plans (including capital expenditure and operating budgets)
 - overseeing Chorus' accounting and reporting systems and, where appropriate, approving Chorus' financial and other reporting
 - overseeing Chorus' control and accountability systems
 - adopting and reviewing Chorus' risk management framework, including setting the risk appetite
 - monitoring compliance with Chorus' continuous disclosure obligations, and
 - appointing and removing the CEO, CFO and General Counsel and Company Secretary.
7. The Board acts as advisor and coach to Management. As part of its oversight role the Board:
 - monitors and constructively challenges Management, and
 - holds Management to account.

Board Committees & Delegations

8. The Board has established the following standing Board Committees and delegated some of its responsibilities, powers and authority to those Committees:
 - Audit and Risk Management Committee (**ARMC**)
 - People, Performance and Culture Committee (**PPCC**), and
 - Nominations and Corporate Governance Committee (**NCGC**).
9. The Board may establish other ad hoc or standing committees from time to time.
10. The Board will ensure each Committee has access to adequate resources to perform its functions effectively and efficiently.

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11. Directors may be appointed as members of steering committees established under the Network Infrastructure Project Agreements (**NIPAs**) with Crown Infrastructure Partners Limited (**CIP**). Such appointments do not limit the duty of any Director, when exercising powers or performing duties as a Director, to act in a manner he or she believes is in Chorus' best interests.

Delegations

12. The Board has delegated authority to the CEO through the delegated authority framework to allow for Chorus' effective day to day management and leadership. The CEO may sub-delegate authority within the limits of that framework.
13. The delegated authority framework specifies certain matters reserved to the Board.
14. The Board may delegate other specific responsibilities, powers and authority to particular Directors and Management from time to time.

Chair and Deputy Chair

15. The Chair is elected by the Board and must be a non-executive, independent Director. The Chair's responsibilities include:
- leading the Board
 - setting the agenda for Board meetings in consultation with the CEO
 - facilitating the effective contribution of all Directors, and
 - promoting constructive relationships between Directors and Management.
16. The Chair's other commitments must not hinder his or her effective performance in the role.
17. The Board may appoint an independent Director as Deputy Chair. The Deputy Chair may undertake the duties of the Chair in the Chair's absence.

Management

Chief Executive Officer

18. The CEO is appointed by the Board and is responsible for:
- implementing culture
 - driving performance within Chorus that supports trust in Chorus and Chorus' reputation, and
 - developing and achieving Chorus' business strategies and plans.
19. The CEO attends¹ (but may be asked to leave at any time):

¹ Except for those meetings held without Management present.

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- all Board and NCGC meetings, and
 - all ARMC and PPCC meetings if invited by their Chairs.
20. The CEO's performance and remuneration is reviewed annually by the PPCC and Board. The Chair then meets with the CEO to discuss performance and provide guidance.

Chief Financial Officer

21. The CFO is appointed by the Board and attends² (but may be asked to leave at any time):
- all Board meetings and,
 - all ARMC meetings if invited by its Chair.

General Counsel and Company Secretary

22. The General Counsel and Company Secretary is appointed by the Board and:
- is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board
 - attends² all Board and NCGC meetings (but may be asked to leave at any time)
 - attends² all ARMC and PPCC meetings if invited by their Chairs (but may be asked to leave at any time), and
 - acts as a reference point between the Board and Management by being accessible to Directors and Management.
23. The General Counsel and Company Secretary plays a significant role in contributing to good governance through monitoring compliance with Board policies and procedures, ensuring 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.

Board Membership

Board Composition

24. Under Chorus' Constitution, the Board must comprise between five and 12 Directors, at least half of whom must be New Zealand citizens. In addition:
- the Board has agreed a majority of Directors, and the Chair, must be independent, and

² Except for those meetings held without Management present.

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- under the Deed of Operational and Governance Undertakings (given to the Crown), a Director cannot be associated with another provider of telecommunications services in New Zealand.
25. Each Director will fully disclose all information necessary to enable Chorus to ensure compliance with these requirements.

Rotation

26. 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.
27. There is no maximum term for Directors.

Independence

28. To be considered independent, the Board must determine the Director does not have a disqualifying relationship as set out in **Schedule 2**.
29. The Board will review its independence determinations on becoming aware of information indicating a Director's independence status may have changed.

Nomination

30. Potential Directors and Committee members are recommended to the Board by the NCGC.
31. Directors are selected on a range of factors including the needs, size, independence, qualifications, skills, experience and composition of the Board at the time.
32. To be eligible for selection candidates must satisfy the Board they will commit the time needed to be fully effective in their role.
33. Under the NIPAs, CIP may nominate an independent Director. The Board must consider this nomination in good faith, but the appointment (and removal) of any such Director must be made by Chorus' shareholders in the same way as for other Directors.

Induction

34. The Board seeks to ensure new Directors are appropriately introduced to Management and Chorus' business and acquainted with relevant industry knowledge and economics.
35. All new Directors must enter into a written agreement with Chorus detailing the terms of their appointment.

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Professional Development

36. All Directors are expected to continue ongoing professional development to ensure they have appropriate expertise and can effectively perform their duties.
37. Visits to Chorus' operations, briefings from Management, industry experts and key advisers, and educational and stakeholder visits, briefings or meetings are also arranged for the Board.

Board & Committee Procedure

Board Meetings

38. The Board meets regularly throughout the year for "scheduled" meetings and otherwise as required. The Board meets without Management present as necessary.
39. Board meeting procedures are set out in the Fifth Schedule to Chorus' Constitution.

Board Committees

40. **Schedule 1** sets out Board Committee matters, including:
 - composition and membership
 - procedure
 - responsibilities and duties, and
 - powers and authorities.

41. Additional matters are set out in a Committee's Charter.

Board & Committee Materials

42. The Chair meets with the CEO before each Board meeting to discuss the agenda.
43. Directors will generally receive materials seven days in advance of meetings except for special meetings or in cases of urgency. Papers are taken as read at meetings.
44. The CEO is encouraged to bring Chorus people to Board and Committee meetings who can provide additional insight into matters being discussed.
45. All Directors have access to Chorus people to discuss issues and obtain information, as they think appropriate.

Reliance on Advice

46. A Director may, with the Chair's prior approval (not to be unreasonably withheld), obtain external legal or other professional advice at Chorus' expense in relation to any matters falling within his or her duties and responsibilities. The Director may request the attendance of such adviser at Board or Committee meetings.

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47. Directors:

- are entitled to rely on Management in relation to matters within their responsibility and areas of expertise
- may assume the accuracy of information provided by Management, and
- may rely on information provided by a Board Committee (or its members) in relation to matters within that Committee's delegated responsibility,

provided the Director,

- acts in good faith
- makes proper further inquiry as appropriate
- evaluates the information and advice provided, and
- has no knowledge that any such reliance or assumption may be inappropriate.

Remuneration & Expenses

48. Director remuneration is paid in fees.

49. To reflect the additional responsibilities of those positions, additional fees are paid to:

- the Chair and Deputy Chair of the Board, and
- the Chair and members of each standing Board Committee³.

50. The Board may pay additional fees and allowances to a Director to reflect additional services provided.

51. The total pool of fees available to Directors is approved by shareholders.

52. The PPCC annually reviews non-executive Director remuneration based on criteria developed by that Committee.

Expenses

53. Chorus meets expenses Directors incur in connection with the performance of their roles (such as travel and ongoing professional development).

54. Directors' expenses must be approved by the Chair. The Chair's expenses must be approved by the ARMC Chair.

³ The Board Chair and Deputy Chair do not receive any additional fees for being Chair or a member of any standing Board Committee.

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Chorus Shares

55. Non-executive Directors are encouraged to hold Chorus shares.

Review and Accountability

56. The Chair meets regularly with Directors to discuss individual performance.
57. The Board reviews and evaluates Board, Board Committee and individual Director performance annually using processes established, developed and overseen by the NCGC.
58. The appointment of the Chair, Deputy Chair and standing Board Committee Chairs is reaffirmed annually (usually after the end of each financial year and before the annual shareholders meeting).
59. Each Committee Charter is reviewed at least every two years.

Relationships with Shareholders

60. 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
 - 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.
61. The First Schedule of Chorus' Constitution contains ownership restrictions. Any request for approval to exceed those restrictions is a matter for the Crown.

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Schedule 1: Board Committees

Membership

1. The members and Chair of each Board Committee are appointed (and removed) by the Board.
2. Each standing Board Committee must have at least three Directors as members.
3. A majority of the members of each standing Board Committee (including the Chair) must be independent.
4. Unless the Board, or a Board Committee Charter specifies otherwise, Chorus people who are not Directors cannot be appointed as members.

Remuneration

5. The remuneration payable to Board Committee members is determined by the Board.

Procedure

6. Standing Board Committees are generally scheduled to meet two to four times each year. Additional meetings are held as a Committee Chair considers necessary.
7. A quorum of a standing Board Committee is two members.
8. The Chair of a standing Board Committee:
 - may call informal meetings to discuss draft proposals or senior management issues
 - will discuss the agenda with relevant Management before each meeting
 - may communicate with any Chorus people to seek information or invite any person to a meeting to enable the Committee to perform its role
 - may require any person to leave a meeting at any time (including Directors and Management)
 - will ensure papers submitted to the Committee are available to all Directors, and
 - will report back all Board Committee recommendations and resolutions at the following Board meeting.
9. Any Director may attend Board Committee meetings as an observer (and will not be counted in the quorum or be able to vote). Chorus people may attend ARMC and PPCC meetings at the invitation of the respective Committee Chairs.
10. The procedures set out above apply to ad hoc Board Sub-Committees unless the Board specifies otherwise.

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Roles and Responsibilities

11. The role of, and the responsibilities delegated to, a standing Board Committee are specified in its Charter.
12. The role of, and the responsibilities delegated to, ad hoc Board Sub-Committees are specified by the Board.

Powers and Authority

13. Standing Board Committees may:
 - delegate any of the Committee's responsibilities to the Committee Chair
 - investigate any activity covered by the Committee's role, and
 - obtain, at Chorus' expense, external legal or other professional advice in relation to any of the matters falling within the Committee's purview.

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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 considers:
 - 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, or
 - ii. has been a Director of Chorus for a length of time that may compromise independence, or
- 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, or
 - ii. in a senior role, or a principal or director, in a provider of material professional services to Chorus or any of its subsidiaries, or
 - iii. in a material business relationship (e.g. as supplier, customer, professional advisor or consultant) with Chorus or any of its subsidiaries, or an officer of, or otherwise associated with a person in such a relationship, or
 - iv. in a material contractual relationship with Chorus or any of its subsidiaries, other than as a director, or
- d. whether the Director 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** means materiality to Chorus, the Director and the person or organisation with which the Director is related (e.g. the customer, supplier

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or adviser)

- b. **relationship** is to be interpreted broadly and includes employment and contractual relationships and indirect 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.