

CCHL BOARD CHARTER

1. **Company Mission Statement**

“To invest in, and promote the establishment of, key infrastructure assets in a commercially viable manner to assist the development of Christchurch as a world class city”

2. **Board Governance Process**

2.1 ***Role of the Board***

The primary role of the Board is the governance of the Company. The Board undertakes stewardship on behalf of the shareholders to ensure the ongoing health and viability of the company.

2.1.1 The Board will effectively represent, and promote the interests of the shareholders with a view to adding long-term value to the Company's shares.

2.1.2 The Board has all the powers necessary for managing, and for directing and supervising the management of the business and affairs of the Company.

2.1.3 The Board monitors the performance of the Chief Executive who has been delegated responsibility for the day to day management of the company. He is assisted by his staff as required. The company may make use of external advisers from time to time.

2.1.4 Having regard to its role, the Board will direct and overview the business and affairs of the Company, including in particular:

- Ensuring that the Company Goals are clearly established, and that strategies are in place for achieving them;
- Establishing policies for strengthening the performance of the Company and the Companies for which it is responsible, to ensure enhancement of shareholder value;
- Overseeing the role the Company and its subsidiaries can play in the provision of essential infrastructure services for the region;
- Monitoring the performance of subsidiaries;
- Deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- Ensuring that the Company's financial statements are true and fair and otherwise conform with law;
- Ensuring that the Company adheres to high standards of ethics and corporate behaviour;
- Ensuring that the Company has appropriate risk management/regulatory compliance policies in place;

- Approving and implementing the Business Plan and Statement of Intent of the company, and
- Reviewing and approving the Company's capital investments and distributions.

2.1.5 In the normal course of events, day to day management of the Company will be in the hands of Management.

2.1.6 The Board will satisfy itself that the Company is achieving the Company Goals.

2.2 Board Relationship with Shareholder

2.2.1 The Board will use its best endeavours to familiarise itself with issues of concern to the Shareholder. Regular seminars will be held with the shareholder.

2.2.2 The Board will monitor 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 the Shareholder and, if thought appropriate, will take outside expert advice on these matters.

2.2.3 Objectives –

A core role of CCHL is to monitor the Council's existing investments, which largely service the region's existing infrastructure needs.

CCHL will also review, and where appropriate invest in, the infrastructure required to support the new regional economy envisaged in the Urban Development Strategy, and the related regional strategies.

CCHL is mindful of the significant investment by the Council in its operations, and of the need to preserve and grow shareholder value and the level of dividends to the Council.

In light of the above, CCHL's objectives are as follows:

- To identify, in conjunction with relevant parties, present and future regional infrastructural needs;
- To seek, on behalf of the Council, and if material report at the appropriate time on, investment opportunities that have the potential to enhance the economic well-being of the region, and provide an adequate return. In order to balance these objectives, CCHL may in appropriate circumstances accept a lower return or slower route to profitability;
- To build the financial strength of CCHL through appropriately directed commercial investment; in a manner consistent with the approach set out in the acquisition/divestment policy included herein, and through efficient financial practices.
- To encourage and facilitate the subsidiary and associated companies to increase shareholder value and regional prosperity through growth and investment;
- To ensure that best practice governance procedures are applied to the city's key regional infrastructure and financial investments that are under CCHL's ownership or review.
- To advise the Council on strategic issues relating to its trading investments including, but not limited to, ownership structures, capital structures and rates of return;

- To encourage intra-group cooperation;
- To monitor the performance of each subsidiary and associated company against their stated economic, environmental and social performance objectives and against relevant benchmarks, and ensure that they have proper governance procedures in place;
- To perform financial, custodial and other functions required by the Council which include:
 - Grouping together the Council's ownership of its subsidiary companies;
 - Separation of the subsidiary companies from the ordinary operations of the Council;
 - Smoothing the cash flows to the Council from its subsidiary companies;
 - Enabling diversification of the City's income streams for the benefit of ratepayers;
 - Monitoring of other subsidiary companies owned directly by the Council.
- To promote sustainable business practices.
- Taking other initiatives at the request of the Council.

2.3 Board Procedures

- 2.3.1 The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to the Shareholder. The Board will be disciplined in carrying out its role, with the emphasis on strategic issues and policy. Directors will always act within any limitations imposed by the Board on its activities.
- 2.3.2 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 particular knowledge, skills and abilities to the Board table. Directors unable to attend a meeting will advise the Chief Executive at the earliest date possible.
- 2.3.3 Board discussions will be open and constructive, recognising that genuinely-held differences of opinion can, in such circumstances, bring greater clarity and lead to better decisions. The Chair will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for a vote. 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.
- 2.3.4 At Board meetings, Board responsibilities supersede all Councillor responsibilities.
- 2.3.5 The Board has sole authority over its agenda and exercises this through the Chief Executive. Any Director may, through the Chief Executive, request the addition of an item to the agenda. The agenda will be set by the Chief Executive in consultation with the Chair.
- 2.3.6 The Board will normally hold meetings in each month of the year (other than January) and will hold additional meetings as the occasion requires.
The Board will consider:-
- strategic issues facing the group;
 - reports from the Chief Executive;
 - reports from the Financial Controller;
 - reports from the Company's subsidiary companies;

- specific proposals for new initiatives; and
- major issues and opportunities for the Company and Subsidiaries in special meetings as required.

In addition the Board will regularly -

- review the Mission Statement;
- review the strategies for achieving the Company Goals;
- approve the annual budget;
- approve the annual and half-early financial statements;
- approve major reports to the Shareholder and major public announcements;
- approve the annual report;
- consider recommendations on and declare the payment of dividends;
- review the Statement of Service Performance;
- review the Board composition, structure and succession of Subsidiaries;
- review the Board composition of CCHL and advise Council;
- review the Company's audit requirements;
- review the performance of, necessity for and composition of Board committees;
- review Board and individual Director evaluations every two years; (refer Clause 2.13);
- review Directors' remuneration every three years, and make recommendations to council;
- review remuneration of subsidiary boards annually;
- review risk assessment policies and controls including insurance covers and compliance with legal and regulatory requirements;
- review the Company's code of conduct and ethical standards;
- settle the following year's work plan, and
- review treasury policy.

2.3.7 The Board may delegate any of the above responsibilities to a properly convened and constituted Board Committee.

2.3.8 Directors are entitled to have access, at all reasonable times, to all relevant company information and to Management.

2.3.9 Directors are expected to strictly observe the provisions of the Act applicable to the use and confidentiality of company information.

2.3.10 Minutes of the meetings will be forwarded by the CEO to the Chair for approval before circulating to the Board.

2.4 Board Chair

2.4.1 Every three years the Shareholder will appoint from among the Directors a Chair.

2.4.2 The Chair is responsible for representing the Board to the Shareholder.

- 2.4.3 The Chair is responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in Part 2.
- 2.4.4 The Chair is responsible for maintaining regular dialogue with the Chief Executive over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him or her cause for major concern.
- 2.4.5 The Chair will act as facilitator at meetings of the Board to ensure that no Director dominates discussion, that appropriate discussion takes place and that relevant opinion among Directors is forthcoming. The Chair will ensure that discussion results in logical and understandable outcomes.
- 2.4.6 The Chair will communicate with the media on key matters or delegate this role to the CEO as appropriate. Generally governance matters will be handled by the Chair, and the CEO will communicate on operational issues.
- 2.4.7 The Chair will lead a Board and Director evaluation exercise every two years in accordance with paragraph 2.12.

2.5 Board Committees

- 2.5.1 The Board has two standing committees namely the Audit & Risk Management committee and the Governance, Appointments & Remuneration committee. Other committees are formed for specific purposes and disbanded as required.

The purposes and membership of the standing committees are as follows:

- The Audit & Risk Management Committee provides a forum for effective communication between the Board and the Auditors. The committee reviews the annual and half-yearly financial statements prior to their approval by the Board, the effectiveness of management information and systems of internal control, the efficiency and effectiveness of the external audit functions and the financial role of management and policy. The committee will also keep under review risk management issues and practices of CCHL and its subsidiaries.
- The Governance, Appointment & Remuneration Committee reviews the policies of the Board and conducts an annual review and appointment process regarding the directors of the subsidiaries and advises on appointment of the best people to meet the Companies needs.

- 2.5.2 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.

2.6 Board Composition and Mix

- 2.6.1 The composition of the Board will reflect the duties and responsibilities it is to discharge and perform as representative of the interests of the Shareholder, and in setting the Company's strategy and seeing that it is implemented.
- 2.6.2 Generally, the qualifications for Board membership are the ability and experience to make sensible business decisions and recommendations, and entrepreneurial talent for

contributing to the creation of Shareholder value, the ability to see the wider picture, the ability to ask the hard questions, preferably some experience in the industry sector, high ethical standards, sound practical sense, and a total commitment to furthering the interests of the Shareholder and the achievement of the Company Goals.

2.7 Induction of New Directors

- 2.7.1 Genuine potential Directors are encouraged to carry out “due diligence” on the Company before accepting an appointment to the Board.
- 2.7.2 On their initial appointment directors will have the benefit of an induction programme aimed at deepening their understanding of the Company and the Business and the environment and markets in which the Company operates. As part of the programme Directors will receive a folder of essential Board and Company information and will meet key Management.
- 2.7.3 Directors are expected to keep themselves abreast of changes and trends in the Business and in the Company’s environment and markets and to keep abreast of changes and trends in the economic, political, social and legal climate generally.

2.8 Director’s Remuneration

- 2.8.1 The Board will recommend to Council at the time of the triennial elections the level of remuneration paid to Directors.

2.9 Protocol on conflicts of interest

- 2.9.1 The Board will maintain a separate policy on conflicts of interest which will meet all current legislative requirements.
- 2.9.2 The Board will maintain a full and updated Interest Register which will be available at all board meetings.

2.10 Other Board Appointments

- 2.10.1 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 does not detrimentally affect the Director’s performance as a Director. All other appointments must first be discussed with the Chair before being accepted.

2.11 Independent Professional Advice

- 2.11.1 Any Director is entitled to obtain independent professional advice relating to the affairs of the Company or to his or her other responsibilities as a Director.
- 2.11.2 If a Director considers such advice is necessary the Director shall first gain approval from the Chair and, having done so, shall be free to proceed. Confidentiality of company information however, must be protected.

- 2.11.3 Subject to the prior approval of the Chair, the cost of the advice will be reimbursed by the Company but the Director will ensure, so far as is practicable, that the cost is reasonable.

2.12 *Board and Director Evaluations*

- 2.12.1 The Board will, every two years evaluate its own performance, and its own processes and procedures to ensure that they are not unduly complex and are designed to assist the Board in effectively fulfilling its role.

- 2.12.2 Every two years individual Directors will be evaluated by a process whereby the Board determines questions to be asked of each Director about him or herself and about each other including the Chair. Each Director answers the questions in writing, and the responses are collected and collated by the Chair who then discusses the results with each Director. The Chair's own position is discussed with the rest of the Board.

2.13 *Indemnities and Insurance*

- 2.13.1 The Company will provide Directors with, and will pay the premiums for, Directors and Officers Liability insurance cover while acting in their capacities as Directors, to the fullest extent permitted by the Act to the extent that, any cover provided beyond the scope of the Act, the directors will be asked to pay a proportion of the premium.

- 2.13.2 The Company will indemnify all directors and the CEO to the fullest extent allowed for, and in compliance with the requirements of the Act.

2.14 *The Chief Executive*

- 2.14.1 The CEO is an employee of the Company and employed in terms of a contract between the CEO and the Company.

- 2.14.2 On an annual basis the Chair will undertake a performance appraisal with the CEO and set appropriate key performance targets for the year ahead.

2.15 *Board – Management Relationship*

- 2.15.1 The Board delegates management of the day to day affairs, and management responsibility of the Company, to the Executive Team under the leadership of the CEO to deliver the strategic direction and goals determined by the Board.

- 2.15.2 All Board authority conferred on Management is delegated through the CEO.

- 2.15.3 The CEO is responsible to the Board to provide advice and implement Board Policy.

- 2.15.4 The CEO will:

- Ensure that appropriate, relevant reporting systems are in place and maintained to provide relevant, complete, accurate and timely information to the Board;
- Provide day to day management of the Company;
- Act as a spokesperson for the Company unless the Chair has specifically adopted this role for a particular issue, and
- Meet business plan and Sol targets set by the Board.

- 2.15.5 When the Board agrees with the CEO to achieve specific results directed towards the Company Goals, the CEO is authorised to make any decision and take any action directed at achieving those specific results.
- 2.15.6 Between Board meetings the Chair maintains an informal link between the Board and the CEO, expects to be kept informed by the CEO on all important matters, and is available to the CEO to provide counsel and advice where appropriate.
- 2.15.7 Only decisions of the Board acting as a body are binding on the CEO. Decisions or instructions of individual members or committees are not binding except in those instances where specific authorisation is given by the Board.
- 2.15.8 The CEO is expected to act within all specific authorities delegated to him or her by the Board.

3. Interpretation

3.1 In this Charter:

“Act” means the Companies Act 1993

“Board” means the board of directors of the Company;

“Business” means the business of the Company;

“Chair” means the chair of the Board and is used in a gender neutral sense;

“Company” means CCHL;

“Company Goals” means the goals of the company as set out in Part 1;

“Management” means the CEO and staff;

“Directors” means members of the Board;

“Shareholder” means the shareholder of the Company – Christchurch City Council;

“Other Companies” means subsidiary companies.

ATTACHMENTS: (Governance Related Policies)

- Appointment and Remuneration of Directors Policy (As Approved by Council)
- Code of Conduct (As Approved by Council)
- Induction Policy
- Chairperson Succession Planning Policy (Subsidiary Companies)
- CCHL Chairperson Succession Planning Policy
- Conflicts of Interest Policy
- Fraud Policy
- Governance Training Policy
- Delegations Policy