

BOARD CHARTER

HAWKE'S BAY AIRPORT LIMITED



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1. INTRODUCTION

HAWKE'S BAY AIRPORT WAS OFFICIALLY OPENED ON THE 15TH OF FEBRUARY 1964. THE FIRST COMMERCIAL FLIGHT WAS A NATIONAL AIRWAYS CORPORATION DC3 FROM WELLINGTON.

Today Hawke's Bay Airport is the third busiest airport in the North Island and provides an essential role in connecting the region's people and produce with the wider national and international economy.

The Hawke's Bay Region stretches from Wairoa in the north to Waipukurau in the south and at the 2018 New Zealand census had a population of 166,368.



Hawke's Bay Airport's vision is to be New Zealand's most vibrant and successful regional airport. Our success in working towards this will be measured by performance across the five strategic pillars of our business; operations, commercial, property, partners and people.

Management are responsible for identifying specific activities and measurable targets for each of the five pillars. These are developed in alignment with the organisations values and sustainability framework.

In pursuing these strategic objectives, the role of the Board is to assume accountability for the success of the Company by taking responsibility for its direction and management.

2. GOVERNANCE OVERVIEW

2.1 The Board is responsible for the corporate governance of Hawke's Bay Airport ("the Company"). The term "corporate governance" means the control of the business by the Directors, and the accountability of the Directors to shareholders and others, for the performance of the Company and compliance by the Company with laws and standards.

The Board has adopted the Corporate Governance Policies set out in clause 3 of this Charter. The Corporate Governance Policies are subject to the Company's constitution ("Constitution"), the Companies Act 1993 ("Companies Act") and any additional requirements set by the shareholders from time to time.

3. CORPORATE GOVERNANCE PRINCIPLES

Role of the Board

3.1 The Board is responsible for directing the Company and ensuring it is properly managed in order to protect and enhance its value for shareholders. The Directors take this responsibility seriously and, to this end, have established a Directors' Code of Ethics (as set out at clause 2.6 of this Charter).

Chairperson

3.2 The Board elects a Chairperson whose primary responsibility is the efficient functioning of the Board. The Chairperson should be independent.

CEO

3.3 The Board appoints a Chief Executive Officer ("CEO") who is responsible for the management of the Company in accordance with the strategies approved by the Board.

Link with Company Performance

3.4 The Board recognises that the quality with which it performs its functions is an integral part of the performance of the Company and that there is a strong link between good governance and performance.

Annual Review

3.5 The board will annually review the Charter to ensure that the Company's responsibilities and obligations are met.

Directors' Code of Ethics

3.6 The Directors are committed to the proper and responsible fulfillment of their duties to the Company and to the shareholders. In particular, the Directors are mindful of their duties contained in the Companies Act, and the Constitution.

The Code of Ethics sets out the standards that each Director will adhere to whilst conducting their duties. It applies to all Directors of the Company, except to the extent that the law provides otherwise. Each Director will in the performance of their duties:

- a. act honestly, in good faith and in the best interests of the Company as a whole.
- b. acts with personal integrity in all actions;
- c. exercise their powers with a due degree of care, diligence and independence and for a proper purpose.
- d. consider matters before the Board having regard to:
 - i. any possible material personal interest he or she may have in the subject matter; and
 - ii. the amount of information appropriate to properly consider the subject matter; and
 - iii. what is in the best interests of the Company.

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- e. serve the interests of the Company as a whole, not the interests of any particular group of Directors or stakeholders or the Director's personal or commercial interests.
 - f. not make improper use of information acquired as a Director or property, assets and resources of the Company to gain a personal advantage or to cause detriment to the Company, and undertakes proper receipt and use of corporate information, assets and property.
 - g. comply with the Company's conflict of interest policy as set out in Schedule One.
 - h. if a Director believes that he or she may have a conflict of interest or duty in relation to a particular matter, the Director should consult with the Chairperson in the first instance.
 - i. give proper attention to matters and bring an enquiring, open and independent mind to Board meetings, listen to the debate on each issue raised, consider the arguments for and against each motion and reach a decision that he or she believes to be in the best long term interests of the Company as a whole.
 - j. keep all confidential information (including Board or Committee papers) received by a Director in the course of the exercise of Directorial duties, unless disclosure has been duly authorised by the Company, or is required by law.
 - k. not disclose the existence or content of Board discussions or Committee meeting discussions outside appropriate and responsible circles within the Company, or those people with a legitimate interest in the subject of the disclosure, unless that disclosure has been authorised by the Company, or is required by law.
 - l. A Director must devote such time as is necessary to carry out the duties of the Director as determined by the Board from time to time.
 - m. a Director must, at all times, comply with the spirit, as well as the letter, of the law and of the principles of this Code and other Company policies in force from time to time.
 - n. adhere to any procedures around giving and receiving gifts and expenses.
 - o. adhere to any procedures about speaking up.

3.7 A Director will report any breach of the Code to either the Chairperson or the CEO. If a Director is proven to have breached the Code he or she may face disciplinary action, as determined by the Board, to the extent permitted by law and as appropriate under the circumstances.

3.8 This Code should be reviewed at least every two years.

4. ROLE AND RESPONSIBILITIES OF THE BOARD

4.1 The main functions and responsibilities of the Board are to:

- a. Appoint and (if necessary) replace the CEO;
- b. Ensure that the Company has adequate management resources to achieve its objective, to support the CEO, and have a satisfactory plan for management succession in place;
- c. Review and approve the strategic, business and financial plans prepared by management and to develop a depth of knowledge of the Company's business so as to understand and question the assumptions upon which such plans are based and to reach an independent judgement on the probability that such plans can be achieved;
- d. Monitor the Company's performance against its approved strategic, business and financial plans and to oversee the Company's operating results on a regular basis so as to evaluate whether the business is being properly managed;
- e. Review operating information to understand at all times the state of health of the company;
- f. Consider management recommendations on key issues, including acquisitions and divestments, restructuring, funding and significant capital expenditure;
- g. Approve policies on and oversee the management of business risks, safety, sustainability, occupational health, and environmental issues with the following aims:
 - i. To manage risk throughout its operation in order to protect its shareholders, employees, assets, earnings and reputation,
 - ii. To comply with all relevant legislation,
 - iii. To encourage employees to actively participate in the management of environmental and occupational, health and safety issues,
 - iv. To employ consultants where required to raise standards or improve existing conditions,
 - v. To use energy and other resources efficiently, and
 - vi. To encourage the adoption of similar standards by the Company's principal suppliers, contractors and distributors;

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- h. Approve and foster a corporate culture which requires management and every employee to operate to the highest level of ethical and professional behaviour;
- i. Set and monitor adherence to major policies, including capital investment, treasury, accounting and financial, executive remuneration and delegated authority limits;
- j. Approve the appointments by, or at the request of, the Company (including its affiliates) to the Boards of subsidiary and associate companies;
- k. Ensure ethical behaviour by the Company, the Board and management, including compliance with the Director's Code of Ethics, the Company's Ethical Behaviour Policy, Speak Up Policy, Constitution, the relevant laws, and the relevant auditing and accounting principles;
- l. Report to shareholders on its stewardship. Information is to be communicated to shareholders through:
- i. The Annual Report, which is distributed to all shareholders. The Board is to ensure that the Annual Report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to other disclosures required by the Companies Act and financial reporting requirements;
 - ii. Results announcements regarding the annual, quarterly and half yearly results;
 - iii. Annual statement of intent;
 - iv. Media releases;
 - v. The annual meeting, and other shareholders meetings called to obtain approval for Board actions as appropriate. The Company will notify shareholder meetings at least 20 working days prior to the meeting not later than 15 months after the previous meeting; and
 - vi. The Company's website and any social media platforms.
- m. Ensure that shareholders can easily communicate with the Company.
- n. Ensure that the Company's shareholder reporting meets the requirements of the Owners Expectation Manual which can be found on the Treasury's website <https://treasury.govt.nz/publications/guide/owners-expectations>, including:
- i. Ensure that financial reporting is balanced, clear and objective, and the Board should explain to shareholders how operational and financial targets are measured.
 - ii. Ensure that the Company provides non-financial disclosure to shareholders at least annually, which should consider environmental, economic and social sustainability factors and practices.
 - iii. Ensure that the Company reports to shareholders on material risks facing the business and how these are being managed. Reporting should disclose how the Company manages its health and safety risks and the performance and management of those risks.
 - iv. Ensure that the Company discloses any internal audit functions.

o. Assess from time to time its own effectiveness in carrying out these functions and the other responsibilities of the Board.

4.2 Performance of Duties

a. A Director, when exercising powers or performing duties as a Director, must exercise the care, diligence and skill that a reasonable Director would exercise in the same circumstances taking into account, but without limitation:

- i. The nature of the company
- ii. The nature of the decision; and
The position of the Director and the nature of the responsibilities undertaken by him or her.

b. All directors are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

c. A Director must not:

- i. Agree to the business of the Company being carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors; or
- ii. Cause or allow the business of the Company to be carried on in a manner likely to create a substantial risk of serious loss to the company's creditors;

d. A Director must not agree to the Company incurring an obligation unless the Director believes at the time, on reasonable grounds, that the company will be able to perform the obligation when it is required to do so;

4.3 Delegation by the Board

a. The Board may delegate any of its powers (other than certain powers specified in the Companies Act). However, whenever the Board delegates a power the Board remains responsible for the exercise of the power by the delegate, unless the Board:

- i. Believed on reasonable grounds that the delegate would exercise the power in conformity with the duties imposed on Directors by the Companies Act and the Constitution; and
- ii. Has monitored, by means of reasonable methods properly used, the exercise of the power by the delegate.

4.4 Reliance on Information and Advice

a. A Director, when exercising powers or performing duties as a Director, may rely on reports, statements and financial data and other information prepared or supplied, and on professional or expert advice given, by any of the following persons:

- i. An employee of the Company whom the Director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- ii. A professional advisor or expert in relation to matters which the Director believes on reasonable grounds to be within the person's competence; or
- iii. Any other Director or Committee of Directors upon which the Director did not serve in relation to matters within the Director's or Committee's delegated authority.
- iv. A Director may only rely on others, as described above, if the Director:
 - a. Acts in good faith;
 - b. Makes proper enquiry where the need for enquiry is indicated by the circumstances;
 - c. Has no knowledge that such reliance is unwarranted.

4.5 Confidentiality of Company Information

a. A Director who has confidential information in his or her capacity as a Director must not disclose that information to any person, make use of or act on that information, except:

- i) For the purposes of the Company;
- ii) As required or permitted by law; and
- iii) In complying with the Director's obligation to disclose his or her interest in a transaction with the Company.

4.6 Authorised Disclosure of Information

a. A Director may (unless prohibited by the Board) disclose information to a person whose interests the Director represents, and may disclose, make use of, or act on information if:

- i) Particulars of the disclosure, use, or act are entered in the Interests Register and;
- ii) The disclosure, use, or act will not be likely to prejudice the Company.

4.7 Disclosure of Interest

a. A Director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest. The Company's policy on dealing with conflicts of interest is set out in Schedule One.

4.8 Interests Register

a. The Board maintains an Interests Register in which are entered the required disclosures made by Directors in respect of matters relating to the Company. Entities in the Interests Register are disclosed in the next Annual Report.

4.9 Resigning Director

a. A Director who resigns before the expiry of his or her term will identify to the Board his or her reasons for early retirement.

4.10 Ongoing Director disclosure requirements

a. In addition to the disclosure obligations set out above, all Directors are required on an ongoing basis to disclose:

- i) all relevant interests in the shares of the Company (including those held by trusts or companies controlled by or in which the relevant Director is beneficially interested) to both the Company;
- ii) all conflicts of interest (or potential conflicts of interest) to the Company in accordance with the Conflict of Interest Policy set out at Schedule One.

4.11 Board Relationship with CEO

- a. The Board acknowledges that its most important role is to provide high level counsel to the CEO, constantly monitor the performance of the CEO against the Board's requirements and expectations and take timely action if the objectives of the Company are not being achieved or a correction to management is required.

5. COMPOSITION OF THE BOARD

Board Skills

5.1 The Board should at all times comprise members whose skills, experience and attributes together reflect diversity, balance, cohesion and match the demands facing the Company. The Companies Act and the Constitution set out a number of qualification requirements for Directors. These are set out in Schedule Two.

5.2 The Board will ensure that information about each Director is disclosed in the Company's Annual Report or on the Company's website, including a profile of experience, length of service, independence and ownership interests.

Appointments to the Board

5.3 Nominations for appointment to the Board are subject to clause 15 of the Constitution.

5.4 The terms and conditions of the appointment and retirement of Directors are to be set out in a letter of appointment. The appointment letter is to cover the following matters:

- a. The manner in which remuneration is determined;
- b. The term of the appointment, subject to shareholder approval;
- c. The expectation of the Board in relation to attendance and preparation for all Board meetings;
- d. The procedures for dealing with conflicts of interest as set out in Schedule One;
- e. The right to seek independent legal and professional advice (subject to the prior approval of the Chairperson);
- f. Confirmation of placement of Directors' and Officers' Insurance, and key terms;
- g. The Charter.
- h. The induction process

Board Membership

5.5 The Constitution provides that:

- a. The number of Directors on the Board shall be not less than 4;
- b. At least two Directors shall be ordinarily resident in New Zealand; and
- c. At least two Directors must be Independent Directors and a majority of the Board should be Independent Directors.
- d. A Director must not hold office without being re-elected beyond the third annual meeting after his or her appointment, or for three years, whichever is the longer;
- e. The Board elects a Chairperson who can be replaced by it at any time.

5.6 Board independence from management is vital to ensure that the Board fairly holds management accountable to shareholders. Applying this principle:

- a. The CEO is the only executive who may be a member of the Board; and
- b. A Board member should not have any relationship with management that compromises his or her ability to act independently from management.

5.7 Membership may be increased where it is felt that additional expertise is required in specific areas, or where an outstanding candidate is identified.

Rotation, Removal and Vacation of Office

Rotation, removal and vacation of office of Directors is to be conducted in accordance with clause 15.3 of the Constitution.

Procedures

5.8 A Director must declare to the Board any relationship that might compromise his or her ability to act independently from management or any conflicts of interest that are potentially detrimental to the Company. As soon as practicable thereafter, the Board, or a Committee of the Board established for the purpose, will meet to review the relationship or conflict and determine a process to deal with the issue.

Business Relationships to be Disclosed

5.9 Before accepting appointment to the Board, and thereafter as they occur, a Director is required to disclose to the Board all of his or her business relationships.

Openness to Review

5.10 In considering new appointments to the Board the Board shall take such steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically examine its performance.

External Appointments

5.11 Directors are required to seek Board approval before accepting an appointment to external Boards or charitable Committees, especially when these may be deemed a conflict of interest.

6. ROLE OF THE CHAIR

Chair's Responsibilities

6.1 The Chair is responsible for co-ordinating the activities of the Board and has the following specific responsibilities:

- a. To provide overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions;
- b. To actively participate in the selection of Board members and to ensure, subject to Board and shareholder approval, that the membership is properly balanced;
- c. To conduct meetings of the Board and of shareholders;
- d. To schedule Board meetings in a manner that enables the Board and its Committees to perform their duties responsibly while not interfering with the flow of the Company's business;
- e. To prepare, in consultation with the CEO, other Directors and Committee Chair the agendas for the Board and Committee meetings;
- f. To define the quality, quantity and timeliness of the flow of information between management and the Board;
- g. To ensure that issues raised, or information requested, by any Director are responded to promptly and as fully as possible;
- h. To approve, in consultation with the Board, the retention of consultants who report directly to the Board;
- i. To assist the Board and management in assuring compliance with and implementation of this Charter and to be principally responsible for recommending revisions thereto;
- j. To promote and maintain the independence of the Board from management;
- k. To initiate the establishment of Board Committees and to ensure that they achieve their objectives;

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- l. To arrange for new Directors to be properly inducted;
 - m. To monitor and evaluate the individual performance of Directors and the Board as a whole; and
 - n. To be principally responsible for evaluating the CEO's performance and to meet with the CEO to discuss the Board's requirements and expectations and the evaluation of the CEO's performance by the Board.

Meetings of the Board

6.2 The Chair is responsible for ensuring that Board meetings are sufficiently well-planned and conducted in a manner that ensures the most effective and efficient use of the Board's time and energy. The Chair takes responsibility for leading the Board and setting the tone for the conduct of its meetings and the way in which issues are debated. The Chairperson is responsible for ensuring that adequate minutes of the proceedings of meetings of the Board are taken.

Relationship with CEO

6.3 The Chair is responsible for establishing a close working relationship with the CEO and acting as his or her mentor.

7. DIRECTOR EMPOWERMENT ASSURANCE

Empowerment

7.1 The Board recognises that the way in which it functions impacts on how well the Board performs its role as steward of the Company. Accordingly, the Board has in place procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each Director is fully empowered to perform his or her duties as a Director of the Company and to fully participate in meetings of the Board.

Meetings Without CEO

7.2 The Board meets without the CEO at least once a year when the performance, evaluation and remuneration of the CEO and management are reviewed. The Board regularly has non-executive only items on the agenda at Board meetings.

Attendance at Meetings

7.3 Directors are expected to attend all Board meetings and when this is not possible Directors can join the meeting by means of audio or video communication. In circumstances where a Board member is unable to attend, apologies must be given to the Chairperson.

Convening of Meetings

7.4 Board meetings are normally convened by the Chairperson. Any Director may request the Chairperson to convene a meeting. Notice of a meeting must be given to all Directors.

7.5 Board meetings should normally be convened on a bi-monthly basis.

Agenda for Meetings

7.6 The agenda for normal Board meetings is determined by the Chairperson, in conjunction with the CEO. Where a Director has requested a meeting the agenda will be as specified by that Director. Board members are encouraged to submit items for inclusion in the agenda. In addition each Board meeting has a general business item under which Directors may raise issues.

Conducting of Meetings

7.7 Board meetings shall be conducted in accordance with Schedule 4 of the Constitution.
Information to Directors

7.8 The Board recognises that appropriate information, provided on a timely basis, is essential to the effective discharge of its duties. The Chairperson and the CEO are responsible for ensuring appropriate Board papers, that identify and fairly address the key issues concerning the Company, are prepared and distributed to Board members in a format and at a time that allows Directors to be fully informed on the affairs of the Company and to properly prepare for discussion at Board meetings.

7.9 Presentations on specific subjects at Board meetings should seek to summarise the material sent to Directors so that discussion is focused on the issues requiring Board determination.

Management at Board Meetings

7.10 The Board encourages the CEO to bring management to Board meetings who can provide additional insight into the items being discussed because of personal involvement in these matters.

Access to Company Information

7.11 Each Director has the right of access to all relevant Company information and to the Company's executives. A Director also has the right to have access to all documents which have been presented to meetings or made available whilst in office, or made available in relation to their position as Director for a term of seven years after ceasing to be a Director or such longer period as is necessary to determine relevant legal proceedings that commenced during this term.

Availability of Management

7.12 The Chairperson, in consultation with the CEO, is responsible to ensure the availability of the CEO and management when required by the Board.

Passing of Resolutions

7.13 A resolution of the Board is passed by the agreement of a majority of the votes cast on it. In the case of an equality of votes the Chairperson has a casting vote.

Evaluation of Information

7.14 The Board evaluates the format of the information it receives at least annually.

Performance Criteria and Training

7.15 The Board establishes and reviews from time to time performance criteria for itself and reviews its performance against those criteria at least annually. This will include ensuring Directors undertake appropriate training to remain current on how to best perform their Director duties.

Relationship with Management

7.16 The Board recognises that all Directors should have access to the CEO and senior management. Each Director acknowledges that the division of responsibility between Board and management must be respected. The Board reviews its relationship with management annually.

Independent Advice

7.17 A Director individually, or the Board collectively, may obtain independent advice at the expense of the Company on issues related to the fulfillment of his or her duties and responsibilities as a Director, subject to obtaining the approval of the Chairperson prior to the incurrence of any advisory fees. Approval of the Chairperson may not be unreasonably withheld and the advice is to be made available to the whole Board. The Board is to be notified if the Chairperson's approval is withheld.

Indemnities by Company

7.18 The Company indemnifies a Director upon joining the Board to the extent provided in section 162 of the Companies Act and in Section 17.2 of the Constitution. The Company also indemnifies persons who undertake Directorships of other companies at the request of the Company.

Insurance by Company

7.19 The Company effects Director and officers liability insurance cover for the benefit of Directors and management to the extent provided in Section 17.2 of the Constitution.

8. COMMITTEES OF THE BOARD

Purpose of Committees

8.1 The use of Committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board. However the Board retains ultimate responsibility for the functions of its Committees and determines their responsibilities.

Exclusive Board Matters

8.2 Issues relating to appointments to the Board, strategy, business and financial plans are dealt with directly by the Board.

Committees of the Board

8.3 The Board must constitute an Audit, Finance & Risk Committee. The composition of this Committee is to be disclosed in the Annual Report of the Company .

8.4 From time to time the Board constitutes an ad hoc Committee to deal with a particular issue facing it which requires specialist knowledge and experience.

Attendance at Meetings

8.5 All Directors have the right to attend any meeting of a Committee. In order to be fully informed on the matters for consideration a Committee member may require the attendance of any of the CEO, management, the Company's auditors and advisers.

Audit Finance & Risk Committee

8.6 The Audit Finance & Risk Committee's principal function is to assist the Board in producing accurate financial statements in compliance with all applicable legal requirements and accounting standards. The Charter for the Audit Finance & Risk Committee is set out in Schedule Four.

8.7 The Audit Finance & Risk Committee will also review its own performance and compliance with the matters outlined above on an annual basis.

Minutes

8.8 Minutes of the proceedings of every Committee meeting shall be taken and circulated to each member of the Board.

9.0 REMUNERATION POLICY

Alignment of Interests with Shareholders

9.1 The Board promotes the alignment of the interests of the Directors, the CEO and management with the long term interests of shareholders. If the Board proposes to recommend to shareholders an increase in Director remuneration, then it must do so in a transparent manner consistent with the Owners Expectation Manual <https://treasury.govt.nz/publications/guide/owners-expectations>.

Review Process

9.2 The Board is responsible for recommending for its approval and regularly reviewing, a process by which the remuneration of the Chairperson, the Directors, the CEO and management is determined in a transparent, deliberate and objective manner.

External Advisors

9.3 In forming a recommendation to the Board on the remuneration proposed for Directors, the CEO and management may seek external advice from a recognised and competent source, including an evaluation against comparable peer groups.

Annual Report

9.4 The remuneration policies of the Company and the remuneration received by Directors will be disclosed in each Annual Report in accordance with the Companies Act. The Annual Report should also disclose the CEO's remuneration arrangements in the annual reporting, including disclosure of base salary and consistent with the Owners Expectation Manual <https://treasury.govt.nz/publications/guide/owners-expectations>.

Board Authorisation

9.5 The Board may authorise the:

- a. Payment of remuneration or the provision of other benefits by the Company to a Director for services in any capacity other than as a Director;
- b. Payment by the Company to a Director or former Director of compensation for loss of office other than as a Director;
- c. Entering into of a contract to do any of the things set out in clauses 9.5a and 9.5b, if the Board is satisfied that to do so is fair to the Company.

9.6 If a payment, benefit, loan, guarantee or contract is authorised:

- a. The Board must ensure that particulars thereof are forthwith entered in the interests register;
- b. Directors who vote in favour thereof must sign a certificate stating that, in their opinion, it is fair to the Company, and the grounds for that opinion.

9.7 Fixing Remuneration

a. No remuneration shall be paid to a Director in his or her capacity as a Director of the Company or any of its subsidiaries unless that remuneration has been authorised by an ordinary resolution of the Company. Each such resolution shall express Directors' remuneration as either:

- i. A monetary sum per annum payable to all Directors taken together; or
- ii. A monetary sum per annum payable to any person who from time to time holds office as a Director.

b. If remuneration is expressed in accordance with clause 9.7, (a) (i), then in the event of an increase in the total number of Directors holding office, the Directors may, without the authorisation of an ordinary resolution of the Company, increase the total remuneration by such amount as is necessary to enable the Company to pay to the additional Director or Directors remuneration not exceeding the average amount then being paid to each of the other Non-Executive Directors (other than the Chairperson) of the Company .

c. No resolution which increases the amount fixed pursuant to a previous resolution shall be passed at a meeting of shareholders of the Company unless notice of the amount of increase has been given in the notice of meeting.

9.8 Payments Upon Cessation of Office

a. The Company may make a payment to a Director or former Director, or his or her dependants, by way of a lump sum or pension, upon or in connection with the retirement or cessation of office of that Director, only if the total amount of the payment or the method of calculation of that payment is authorised by an ordinary resolution of the Company .

b. Nothing in clause 9.8 (a) shall affect any amount paid to an executive Director upon or in connection with the termination of his or her employment with the Company, or the payment of any amount attributable to the contribution (or any normal subsidy related thereto) made by a Director to a superannuation scheme.

10. THE CEO

Responsibilities of CEO

10.1 The CEO is the senior executive of the Company and is responsible for:

- a. Formulating the vision for the Company;
- b. Implementing all approved plans, policies and programmes of the Board;
- c. Recommending policy and the strategic direction of the Company for approval by the Board;
- d. Submitting reports, financial statements and consolidated budgets for consideration by the Board;
- e. Overseeing the financial management of the Company, including financial planning, cash flow and management reporting;
- f. Ensuring appropriate human resource strategies are in place to meet the Company's objectives and legal compliance obligations;
- g. Maintaining personal awareness of business, economic and political trends that may affect the operations of the Company;
- h. Ensuring compliance by the Company with statutory and regulatory requirements;
- i. Attending Board meetings as CEO;
- j. Providing effective management of the day to day operations of the Company; and
- k. Managing and overseeing the interfaces between the Company and the public and acting as the principal representative of the Company.

No Appointment as Chairperson

10.2 The CEO is not eligible to be appointed as the Chairperson.

Independence of the Board

10.3 The CEO undertakes to respect the independence of Directors so as to permit the Board to challenge management decisions objectively and evaluate corporate performance.

Other Boards

10.4 The CEO will not accept appointment to the Board of other companies except where prior Board approval has been granted.

Disclosure

10.5 If there is an employment period in the CEO's employment contract then it will be disclosed in each Annual Report.

Appointment

10.6 The Board shall appoint the CEO on such conditions as it thinks fit. The CEO may be reappointed upon expiry of any term of appointment.

Removal from Office

10.7 Every CEO shall be liable to be dismissed or removed by the Board (with or without cause), but the Board may enter into any agreement on behalf of the Company with any person who is, or is about to become, the CEO, with regard to the length and terms of his or her employment.

Remuneration

10.8 The remuneration of the CEO shall be fixed by the Board.

Delegation of Board Powers

10.9 The Board may from time to time entrust to and confer upon the CEO any of the powers exercisable by the Board upon such terms and conditions, and with such restrictions, as it may think fit and either collaterally with or to the exclusion of its own powers and may from time to time revoke, withdraw, alter or vary all or any of those powers.

11. SHAREHOLDER PARTICIPATION

Constitution

11.1 The rights of shareholders are contained, or referred to, in the Constitution which is available to all shareholders. Shareholders may have additional rights under the Companies Act.

Board Accountable to Shareholders

11.2 The Board is appointed by, and accountable to, shareholders.

Reports to Shareholders

11.3 The Board values the opportunity to give comprehensive yet accessible full year reports to shareholders and to meet with them annually.

11.4 The Company is required to prepare and provide to shareholders the following information:

- a. Reporting as required under the Local Government Act 2002 and the Owner's Expectations Manual,
- b. Results Announcement for the full financial year; and
- c. Annual Report.

11.5 The Board will ensure that the Company meets its compliance obligations, including under the Companies Act. The general timetable for compliance is set out in Schedule Three.

Annual Meeting

11.6 The Board recognises that the annual meeting is an important forum at which shareholders can meet with the Board and it encourages shareholders to use the forum to ask questions and make comments on the performance of the Company. The Board will invite the external auditors to attend each annual meeting.

Directors Attendance

11.7 In usual circumstances all Directors will attend the annual meeting.

Questions from Shareholders

11.8 The Board welcomes input from shareholders and encourages shareholders to submit questions in writing prior to the annual meeting so that an informed answer can be given at the meeting.

SCHEDULE ONE – Conflict of Interest Policy

1. CONFLICTS OF INTEREST

1.1 A Director 'interested' in a transaction (see clause 3.1 below) must notify the Board of the Company and ensure that his or her interest is recorded in the interests register which the Company is obliged to maintain. The disclosure should include the monetary value of the Director's interest (if it can be quantified) and the nature of that interest together with information on the extent of the interest .

1.2 A Director may make a general disclosure of interest where he or she is a shareholder, Director, officer or a trustee of another named company or other person, so that the Director should be treated as being interested in any transaction which follows with that company or person.

2. VOTING AND QUORUM

2.1 A Director who is 'interested' in a Company matter (as defined in section 139 of the Companies Act and set out in clause 3.1 below) can attend a meeting of the Board at which the matter arises but:

- a. shall not be included among the Directors present at the meeting for the purposes of a quorum; and
- b. may not vote on a Board resolution in respect of any matter, unless the matter is one in respect of which Directors are expressly required by the Companies Act to sign a certificate. Where Directors are required to sign a certificate or which relates to the grant of an indemnity under section 162 of the Companies Act then a Director can be counted in the quorum and vote in respect of a matter in which they are interested (Schedule 4 of the HBAL Constitution).

2.2 The same Director may also sign a document relating to the transaction on behalf of the Company, and may do any other thing in their capacity as a Director in relation to the transaction, as if the Director were not interested in the transaction.

3. DEFINITION OF "INTERESTED"

3.1 Section 139 of the Companies Act defines a Director as being "interested" in a transaction where the Company is a party if, and only if, the Director:

- a. Is a party to, or will or may derive a material financial benefit from, the transaction; or
- b. Has a material financial interest in another party to the transaction; or
- c. Is a Director, officer, or trustee of another party to, or person who will or may derive a material financial benefit from, the transaction, not being a party or person that is:
 - i. The Company's holding company being a holding company of which the company is a wholly owned subsidiary; or
 - ii. A wholly owned subsidiary of the company; or
 - iii. A wholly owned subsidiary of a holding company of which the Company is also a wholly-owned subsidiary; or

d. Is the parent, child, spouse, civil union partner, or de facto partner of another party to, or person who will or may derive a material financial benefit from, the transaction; or

e. Is otherwise directly or indirectly materially interested in the transaction.

3.1.1 A Director is not interested in a transaction to which the Company is a party if the transaction comprises only the giving by the Company of security to a third party which has no connection with the Director, at the request of the third party, in respect of a debt or obligation of the Company for which the Director or another person has personally assumed responsibility in whole or in part under a guarantee, indemnity, or by the deposit of a security.

3.1.2 Note that the term "Interested" is a different concept under the Companies Act from where a Director has a "relevant interest".

SCHEDULE TWO – Director Qualifications

1. WHO CAN BE A DIRECTOR?

Generally, any person over 18 years of age can be a Director of the Company. However the Companies Act 1993 ("Act") and the Constitution both set out a number of qualification requirements for Directors.

The following persons are disqualified from being appointed or holding office as a Director of the Company under the Act:

- a. A person who is under 18 years of age;
- b. A person who is an undischarged bankrupt;
- c. A person who is prohibited from being a Director or promoter of or being concerned or taking part in the management of a company under the Act;
- d. A person who is prohibited from being a general partner or promoter of, or being concerned or taking part in the management of a Limited Partnership;
- e. A person who is prohibited from being a Director or promoter of, or being concerned or taking part in the management of, an incorporated or unincorporated body under the Financial Markets Conduct Act 2013 or the Takeovers Act 1993;
- f. A person who is prohibited from 1 or more of the following under an order made, or a notice given, under a law of a prescribed country, State, or territory outside New Zealand:
 - i. Being a Director of an overseas company;
 - ii. Being a promoter of an overseas company;
 - iii. Being concerned or taking part in the management of an overseas company;
- g. A person who is prohibited from 1 or more of the following under an order made, or a notice given, under a law of a prescribed country, State, or territory outside New Zealand:
 - i. Being a general partner of an overseas limited partnership;
 - ii. Being a promoter of an overseas limited partnership;
 - iii. Being concerned or taking part in the management of an overseas limited partnership;
- h. A person who is subject to a property order made under section 30 or section 31 of the Protection of Personal and Property Rights Act 1988;
- i. A person who is prohibited from 1 or more of the following under an order made, or a notice given, under a law of a prescribed country, State, or territory outside New Zealand (e.g. Australia):
 - i. Being a Director of an overseas company;
 - ii. Being a promoter of an overseas company;
 - iii. Being concerned or taking part in the management of an overseas company.

j. A person who is subject to a property order made under section 30 or section 31 of the Protection of Personal and Property Rights Act 1988;

k. A person that does not comply with any qualifications for Directors contained in the Constitution.

1.1 Under the Constitution, the Company shall not be more than 8 Directors.

1.2 A Director ceases to be a Director of the Company if he or she:

a. Is removed from office by an Ordinary Resolution or in accordance with the Act or the Constitution; or

b. Dies, or becomes mentally disordered or subject to a property order or personal order made under the Protection of Personal and Property Rights Act 1988; or

c. Resigns by written notice delivered to the Company at its address for service or at its registered office (such notice to be effective at the time when it is so received unless a later time is specified in the notice); or

d. Becomes disqualified from being a Director under the Act as set out in clause 0; or

e. Is adjudged bankrupt or makes an arrangement or composition with his or her creditors generally; or

f. Is an executive Director and ceases for any reason to be in the salaried employment of the Company or any of its subsidiaries unless the Board decides otherwise; or

g. Has for more than six months been absent without the approval of the Board from meetings of the Board held during that period, unless the Board decides otherwise.

SCHEDULE THREE – Pro-Forma Compliance Timetable

Based on financial year ended 30 June (and on an end October Annual Meeting)

End January (approx)

Circulate the draft Quarterly Q2 Report to shareholders & Directors

End February

Circulate Board Approval Half Year Financial statements to Shareholders

End February

Board submit draft SOI & business plan to ministers

End April (approx)

Circulate the draft Quarterly Q3 Report to shareholders & Directors

Early June

Board submit Final SOI & business plan to Shareholding Ministers

By 20 July

Circulate Draft Financial Statements for review by AFC Chair and auditors.

Late July / Early August

Auditors on site for audit.

End July (approx)

Circulate the draft Quarterly Q4 Report to shareholders & Directors

8th August (approx)

Circulate Draft Financial Statements to Council CFO's

8th September (approx)

Audit Clearance Meeting – Final Review of Annual Report

30 Sept* (approx)

Last date to send out notice of annual meeting to shareholders

End Sept (approx)

Annual Report issued to Shareholders/Auditor report to OAG

Mid October

File Annual Return with Companies Office.

Within 6 months of balance date - 31 December

Last date for the Company's annual meeting to be held each year.

End October (approx)

Circulate the draft Quarterly Q1 Report to shareholders & Directors

** Highlighted items relate to the annual meeting date. These dates run from the date that the annual meeting is to be held and will differ from year to year.*

SCHEDULE FOUR – Audit Finance & Risk Committee

1. PURPOSE

1.1. The Hawke's Bay Airport (HBAL or the Company) Audit, Finance and Risk Committee (AFRC or the Committee) is a sub-committee of the board of directors of Hawkes Bay Airport (the Directors and the Board) established by resolution of the Board.

1.2. The purpose of the Committee is to provide additional oversight and assist the Directors in fulfilling their responsibilities in relation to three distinct areas of activity:

- a) Quality and integrity of Financial Reporting.
- b) Independence and performance of the external Audit Function.
- c) Effective Risk Management Framework and Policies.

1.3. In meeting its purpose, it is the responsibility of Committee to:

- a. Maintain free and open communication between the Directors, the external auditors, the internal auditors, and the management of the Company.
- b. Collaborate with management to ensure a positive and supportive risk management culture is embedded and maintained throughout the organisation; and
- c. Ensure that the ability of the external auditors to carry out their statutory audit role is not impaired or could reasonably be perceived to be impaired.

1.4. This Charter outlines the Committees authority, duties, responsibilities, and relationship with the Board, the external auditors, management and other parties. Other than the specifically delegated functions and responsibilities set out in this Charter, the Committee does not take actions or make decisions on behalf of the Board.

2. COMPOSITION AND SKILLS

2.1. The Committee shall consist of all HBAL Directors, unless agreed otherwise by the Board.

2.2. The appointment of Directors to this Committee shall be confirmed at the first Board meeting following the Annual Meeting each year.

2.3. The Chair of the Audit Finance & Risk Committee will be a non-executive Director other than the Chair of the Board and shall be appointed by the Board.

2.4. The Chair will have accounting or related financial management expertise.

3. MEETINGS

- 3.1. The Committee shall meet at least three times per year, having regard to the Company's reporting and audit cycle.
- 3.2. The CEO and CFO shall attend the Committee meetings.
- 3.3. The Committee may have in attendance such members of management including the CE and CFO, and other such persons including the external auditors, as it considers necessary to provide appropriate information and advice.
- 3.4. A quorum will be declared when at least two Directors are present.
- 3.5. An agenda will be prepared prior to each meeting and distributed in advance.
- 3.6. Minutes of the meeting will be prepared and circulated to all Directors of the Company.
- 3.7. The CEO or CFO will aid the Committee in preparing the agenda and the minutes as appropriate. In the absence of management, the Committee Chair will keep a record of business transacted.

4. RESPONSIBILITIES WITH REGARDS TO THE EXTERNAL AUDIT FUNCTION

The Committee is responsible for providing additional oversight on the independence and performance of the external Audit Function. In carrying out these responsibilities, the Committee will:

- 4.1. Review the appointment of the external auditors and their fees, in conjunction with the Office of the Auditor General.
- 4.2. Review the annual audit plan and fee with the external auditor.
- 4.3. Recommend to the Board the audit fees payable to the external auditor.
- 4.4. Receive and review reports on material findings of the external auditor on the Company.
- 4.5. Have direct communication with the external auditor.
- 4.6. Meet with the external auditor at least once a year to discuss any areas of concern, differences of opinion, recommendations for improvement and any other matters arising from the external auditor's findings.
- 4.7. Review and consider all significant judgments, unadjusted differences, and critical accounting policies that have been discussed between management and the external auditors.
- 4.8. Monitor Management's implementation of audit recommendations (if agreed appropriate).
- 4.9. Monitor the performance and the independence of the external auditor and any potential conflicts of interest, including the appropriateness of any non-audit services they undertake for the Company.
- 4.10. Approve in advance the hiring of an existing/former audit manager/partner having regard to independent considerations.

5. RESPONSIBILITIES WITH RESPECT TO THE FINANCIAL REPORTING FUNCTION

The Committee is responsible for providing additional oversight on the quality and integrity of the Financial Reporting. In carrying out these responsibilities with respect to the annual and interim financial statements, the Committee will:

- 5.1. Review the financial statements with management and the external auditors to determine that the external auditors are satisfied with the disclosure and content of the financial statements to be presented to the shareholders and that they comply with appropriate laws and regulations.
- 5.2. Review with management and the external auditors the results of their timely analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices, and discuss any other matters required to be communicated to the Committee by the auditors.
- 5.3. Review areas involving significant judgement, estimation or uncertainty, used or proposed to be used, and particularly, the degree of aggressiveness or conservatism of the organisation's accounting principles and underlying estimates, and other significant decisions made in preparing the financial statements.
- 5.4. Review the Company's tax position, compliance, and any exposures.
- 5.5. Recommend to the Board for adoption significant changes in accounting policies and the annual and interim financial statements.
- 5.6. Oversee compliance with statutory responsibilities relating to annual financial compliance.
- 5.7. Inform the Board if it is aware of matters arising that may significantly impact on the financial condition of the Company and its business.
- 5.8. Assess on an annual basis the overall performance of the financial management. The following responsibilities as they relate to financial matters will remain at Board level:
 - Quarterly or monthly financial reporting to shareholders and other stakeholders.
 - The annual operating and capital expenditure budgets.
 - Financial Forecasts reported in the annual Statement of Intent.
 - The outcome of any special purpose financial analysis prepared by Management or external advisors including landing charges and material investments or transactions.
 - Security documentation and loan agreements related to debt finance.
 - The appropriate capital structure of the Company and all matters regarding distributions to and calls on Company securities.
 - The dividend policy and distributions.
 - The terms of material contracts or significant transactions entered into by the Company.

6. RESPONSIBILITIES WITH RESPECT TO RISK MANAGEMENT

The Committee is responsible for providing additional oversight of the effectiveness of the Company's Risk Management Framework and Policies. When considering risk at a Governance level, this Charter uses the term business risk. This definition includes material operational, financial, legislative and compliance and strategic risk.

In carrying out these responsibilities, the Committee will:

6.1. Meet on an annual basis with management to:

6.1.1. Consider the company's overall risk appetite and tolerance.

6.1.2. Identify, consider, assess, monitor, and review the key business risks facing the Company and the impact and adequacy of controls.

6.1.3. Consider, assess, and review the appropriateness and effectiveness of HBAL's overall risk management framework, policies and internal controls.

6.2. Ensure that management has established and is implementing a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key business risks, including emerging risks

6.3. Review the procedures of identifying business risks and the adequacy of the internal control environment managing the operational and financial impact on the Company and its subsidiaries.

6.4. Review management's and the external auditor's reports on the effectiveness of systems for internal control, financial reporting, and risk management.

6.5. Oversee management's adherence to approved risk management policies.

6.6. Oversee adherence to statutory compliance by ensuring management has established an appropriate identifying and monitoring procedure.

6.7. Receive and review reports on statutory compliance from management and any external provider.

6.8. Ensure that the Board reviews the principal business risks on a regular scheduled basis, with particular emphasis on monitoring the effectiveness of listed mitigations.

6.9. Report to the Board any incidence of fraud or other breakdown of an internal control.

6.10. Review reports on any material breaches of risk limits and the adequacy of proposed action

6.11. Ensure appropriate policies and internal controls are in place to manage and monitor key financial risk such as treasury and interest rate risk, financial expenditure, project risk.

6.12. Review key insurance policy terms and cover adequacy and make recommendations to the Board for adoption of the insurance cover.

Management is responsible for the implementation and operation of risk management including internal control and audit systems.

The CEO and the CFO shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls and any material event of fraud or malpractice.

7. AUTHORITIES

7.1. The Audit Finance & Risk Committee does not have the power or authority to make a decision in the Board's name or on its behalf. The Audit Finance & Risk Committee will make recommendations to the Board on all matters requiring a decision.

7.2 The Committee may investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate.

7.3. The Committee is authorised by the Board, at the expense of the Company, up to a maximum expense of \$10,000, to obtain such outside information and advice as it thinks necessary for carrying out its responsibilities.

8. REVIEW REQUIREMENTS

In carrying out its responsibilities, the Audit Finance & Risk Committee will:

8.1. Obtain the full Board's approval of this Terms of Reference and review and reassess it as conditions dictate.

8.2. Annually undertake a self-review of objectives and duties and report on the effectiveness of the Committee to the Board.

