



Unison

Board Charter

February 2006

Version Control

Ver	Date	Description
1	09.12.03	Unison Board Charter adopted
2	18.02.05	Charter amended to reflect Securities Commission Corporate Governance Principles
3	28.02.06	Clause 2.1 of the Charter amended to include additional composition and performance criteria

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1. Background

The Companies Act 1993 requires “the business and affairs of a company must be managed by, or under the direction or supervision of, the board of the company”.

The New Zealand Securities Commission has established nine core principles which set the standards expected in regard to corporate governance. The Unison Board has reflected these in its approach to its own governance processes. The Commission’s Statement of Principles is shown in Appendix 1.

The Board of Unison in carrying out its responsibilities will delegate the day to day management of the Company to the Chief Executive Officer.

This document records the principles by which that delegation is made and the respective responsibilities and powers of the Board and the Chief Executive Officer, in the interests of clarity and good governance.

2. Board Charter

2.1. The Board Composition and Performance

- The number of Directors on the Board should be no fewer than 4 or greater than 8.
- The Board should comprise non-executive Directors, with the Chief Executive Officer ordinarily in attendance.
- Directors should possess a broad range of skills, qualifications and experience.
- On their appointment, Directors should have the benefit of an induction programme aimed at deepening their understanding of the Company and the business and the environment in which the Company operates.
- The Board will appoint from among the Directors a Chairman and Deputy Chairman. The Deputy Chairman will deputise in the absence of the Chairman or at the request of the Chairman.
- The Chairman’s key responsibilities are:
 - Representing the Board to shareholders;
 - Ensuring the effectiveness and integrity of the governance process of the Board;
 - Maintaining regular dialogue with the Chief Executive Officer over operational matters and consulting with the remainder of the Board promptly over any matter that gives them cause for major concern;

- Acting as a facilitator at meetings of the Board to ensure that no member of the Board dominates discussion, that appropriate discussion takes place and that relevant opinion amongst members is forthcoming; and
- Ensuring that discussions result in logical and understandable outcomes.
- The Board will normally meet monthly.
- Information relating to items to be discussed at a meeting of the Board shall be provided to each non-conflicted Director one week (in the ordinary course) prior to the meeting.
- Directors should be diligent, attend Board Meetings and devote sufficient time to make and keep themselves familiar with the nature of the Company's business and the environment in which it operates. They should be aware of all statutory and regulatory requirements affecting the Company.
- Directors must observe the confidentiality of non-public information acquired by them as Directors and not disclose it to any other person without the authority of the Board.
- The Board should be subject to annual evaluation of its own performance, processes and procedures.
- All Directors shall be responsible for ensuring they undertake relevant training to contribute to the continuous improvement of the Board's overall performance.
- Each Director will be given the opportunity to provide a full exit debriefing to either the Chairman, the relevant Board committee or, if required, an independent third party upon termination of their engagement with the Board.
- The Board will make provision for succession planning, with possible new Directors identified along the key dimensions of ability, willingness to contribute and affinity with the Board culture.

2.2. The Role of the Board

The role of the Board is to effectively represent and promote the interests of shareholders with a view to increasing shareholder value.

Having regard to its role the Board will direct and supervise the management of 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;
- Oversight of the Company, including its control and accountability systems;

- Appointing and removing the Chief Executive Officer, including setting the terms of the Chief Executive Officer's employment agreement;
- Ratifying the appointment and, where appropriate, the removal of the General Manager Financial and Corporate Affairs, in which the responsibilities of the Chief Financial Officer and the Company Secretary are vested;
- Deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations as they fall due, and ensuring such steps are taken;
- Review and adoption of the Statement of Corporate Intent, annual budgets and Asset Management Plan and monitoring performance against budget on a monthly basis;
- Establishing procedures and controls to ensure that the Company's financial statements are true and fair and otherwise conform with the law;
- Approving and monitoring financial and other reporting, including annual and half-year accounts;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures; and
- Approving and fostering a corporate culture which requires the Board, management and every employee to operate to a high level of ethical and professional behaviour.

In the normal course of events day to day management of the Company will be in the hands of the Chief Executive Officer.

2.3. Board Procedures

- 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.
- 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 Chairman 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 specific direction from the Board to the contrary, or disclosure is required by law.

- The Board has sole authority over its agenda and exercises this through the Chairman. Any Director may request the addition of an item to the agenda. The agenda will be set by the Chairman in consultation with the Chief Executive Officer.
- Directors are entitled to have access, at all reasonable times, to all relevant Company information and to Management (unless a conflict of interest exists).

2.4. The Board's Relationship with Shareholders

The Board will use its best endeavours to familiarise itself with issues of concern to shareholders.

The Board will allocate time and resources to provide shareholders with clear, plain language explanations of performance, strategies and goals, and identified material risks.

2.5. Independent Professional Advice

Directors are entitled to seek independent advice. This may be necessary to fully inform themselves about an issue before the Board, and to effectively contribute to Board decisions.

2.6. Board Committees

To assist the Board and facilitate its processes it will delegate particular functions to committees composed of selected Board members. The creation of these committees should not obscure the reality of collective responsibility of the Board, nor diminish the opportunity for individual Directors to contribute.

The Board has two standing committees, namely the Audit and Remuneration committees. Other committees may be formed for specific purposes and disbanded as required.

2.7. Audit Committee

The Audit Committee shall consist of a minimum of three Directors although any Director may attend. At least one Director shall be a Chartered Accountant or have another recognised form of financial expertise.

The Chairman of the Audit Committee shall not be the Chairman of the Board.

The Audit Committee provides a forum for effective communication between the Board and external and internal auditors. The Committee reviews:

- Accounting policies;
- The quality of financial management;
- The annual and half-yearly financial statements prior to their approval by the Board;
- The effectiveness of management information systems and systems of internal control;
- The efficiency and effectiveness of the external and internal audit functions;
- The efficiency and effectiveness of the external and internal risk management functions; and
- The efficiency and effectiveness of the Company's Treasury Policy.

The Committee generally invites the Chief Executive Officer, Chief Financial Officer and, (as appropriate) the external and internal auditors to attend Audit Committee Meetings. The Committee also meets with and receives regular reports from the external and internal audit personnel concerning any matters which arise in connection with the performance of their respective roles, including the adequacy of internal controls.

2.8. Remuneration Committee

The Board will promote remuneration of Directors and Executives that is transparent, fair and reasonable in a competitive market for the skills, knowledge and experience required by the Company.

In order to attract and retain Executives of appropriate calibre to facilitate the efficient and effective management of the Company's operations, the Committee may seek assistance from external advisors in connection with the structure and value of remuneration packages.

The Committee periodically reviews and makes recommendations to the Board regarding general remuneration policy.

The Committee annually reviews and makes recommendations to the Board regarding the remuneration packages of senior executives, including the Chief Executive Officer.

2.9. Risk Management

The Chief Executive Officer is charged with implementing appropriate risk management systems within the Company. As part of the Chief Executive Officer's report he will regularly report on these risk systems and their continuing effectiveness and appropriateness.

The Board is responsible for reviewing and ratifying systems of risk management and the Company's system of internal controls.

The Board monitors the operational and financial aspects of the Company's activities and, principally through the Audit Committee, the Board considers the recommendations and advice of external and internal auditors and other external advisers on the operational and financial risks that face the Company.

The Board ensures that recommendations made by the external and internal auditors and other external advisers are investigated and appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

2.10. Code of Ethics

As part of the Board's commitment to maintaining high standards of behaviour and accountability, the Company adopts a written Code of Ethics to guide Directors, management and all staff in carrying out their duties and responsibilities.

The Board will implement a system for reviewing the Code and compliance with the Code and prescribe measures for dealing with breaches.

2.11. Provision of Business or Professional Service by Directors

Because of the potential for conflict of interest Directors should not, generally, provide business or professional services of an ongoing nature to the Company. Notwithstanding this, the Company can engage such services:

- for the purpose of a special assignment, where a Director has special expertise in the particular field; or
- from another member of the Director's organisation.
- In such instances the Board must be satisfied:
- the terms of engagement are fair and reasonable to the Company; and
- any conflict is fully disclosed and suitably managed.

2.12. Other Board Appointments

Any Director is, while holding office, at liberty to accept other Board appointments provided the appointment is not in conflict with the Company and does not detrimentally affect the Director's performance as a Director. All other appointments must first be discussed with the Chairman before being accepted.

2.13. Indemnities and Insurance

The Company will provide Directors with, and will pay the premiums for, indemnity and insurance cover while acting in their capacities as Directors, within the limits provided by any applicable legislation.

3. Delegated Authority

3.1. Delegation by the Board

To facilitate day-to-day operations of the Company the Board has delegated specific management powers and responsibilities to the Chief Executive Officer. The Chief Executive Officer in carrying out these responsibilities will ensure that the activities are carried out in the best interests of shareholders whilst respecting the rights of other stakeholders.

The Chief Executive Officer shall exercise delegation in accordance with the Delegations Authority as approved by the Board.

The Board will agree with the Chief Executive Officer to specific results directed towards the Company goals. This will usually take the form of an annual performance agreement.

3.2. Management Limitations

The Chief Executive Officer is expected to act within all specific authorities delegated by the Board.

In allocating the capital and resources of the Company the Chief Executive Officer is expected to adhere to the Company goals and not cause or permit any action without taking into account the health, safety, environmental and political consequences and their effect on long term shareholder value.

In financing the Company the Chief Executive Officer is expected not to cause or permit any action that is likely to result in the Company becoming unable to pay its debts in the normal course of business, or its liabilities (including contingent liabilities) becoming greater than the value of its assets.

The assets of the Company are expected to be adequately maintained and protected, and not unnecessarily placed at risk. In particular, the Company must be operated with a comprehensive system of internal control, and assets or funds must not be received, processed or disbursed without controls that, at a minimum, are sufficient to meet standards that are acceptable to the Company's external auditors.

3.3. Monitoring and Reporting

The Board is required to monitor the performance of Management. To that end:

- 3.3.1 The Chief Executive Officer is required to promptly report any material departure from Board decisions or policy, and any acts or omissions that may create material risk for the Company or an adverse perception among stakeholders or the public generally.
- 3.3.2 Between Board meetings the Chairman will maintain an informal link between the Board and Chief Executive Officer and expects to be informed by the Chief Executive Officer on all important matters.
- 3.3.3 The Chief Executive Officer will report monthly to the Board in a form agreed with the Board.
- 3.3.4 Issues presented to the Board for decision/information will contain all necessary supporting material that is relevant to the issue. It will be clearly and concisely presented, with external advice as appropriate.
- 3.3.5 The Board (including any Committee) shall have access to any employee if the Board or Committee thinks it necessary to do so.
- 3.3.6 The General Manager Financial & Corporate Affairs will be accessible to all Directors and will provide information to non-conflicted Directors on request.
- 3.3.7 The Chief Executive Officer and the General Manager Financial & Corporate Affairs will annually provide a letter of representation to the Board stating that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.
- 3.3.8 The Chief Executive Officer and the General Manager Financial & Corporate Affairs shall also state to the Board in writing that:

B O A R D C H A R T E R

- the Letter of Representation as to the integrity of the financial statements is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
- 3.3.9 The Chairman will conduct a formal performance review of the Chief Executive Officer annually, and the Board will review performance informally on a more routine basis during the course of the Board's other functions.

A.1. Key Principles for Corporate Governance (as contained in the Securities Commission's Principles and Guidelines Handbook)

1. Directors should observe and foster high ethical standards.
2. There should be a balance of independence, skills knowledge, experience and perspectives among Directors so that the Board works effectively.
3. The Board should use committees where this would enhance its effectiveness in key areas while retaining Board responsibility.
4. The Board should demand integrity both in financial reporting and in the timeliness and balance of disclosures on entity affairs.
5. The remuneration of Directors and Executives should be transparent, fair and reasonable.
6. The Board should regularly verify that the Company has appropriate processes that identify and manage potential risks.
7. The Board should ensure the quality and independence of the external audit process.
8. The Board should foster constructive relationships with shareholders that encourage them to engage with the Company.
9. The Board should respect the interests of stakeholders within the context of the Company's ownership type and its fundamental purpose.