

August 1st 2022



Infratil Limited (IFT)

The company will hold its Annual Shareholders Meeting at **2.30pm Thursday 25 August 2022.**

The location is **Public Trust Hall, 131 Lambton Quay, Wellington.**

You can also join the meeting online [here](#):

Company Overview

Infratil is an infrastructure investment company with holdings in renewable energy, airports, digital infrastructure and healthcare in New Zealand, Australia, North America, Asia, UK, and Europe. The company is managed by H.R.L Morrison & Co, who have considerable experience with investment in these industries.

Much of IFT's funding is via longer term bond issues which are themselves listed on the NZDX.

In December 2021 Catherine Savage retired from the Board. She has served since 2019. In May 2022 Mark Tume retired as Chair but will remain on the Board until December 2022. He was appointed in 2007 and has served as Chair since 2013. In June 2022 Andrew Clark was appointed to the Board.

Current Strategy

Infratil's goal is to provide excellent risk- adjusted returns for shareholders and, in so doing, allocate capital and manage activities and investment.

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Key

The following sections calculate an objective rating against criteria contained within NZSA policies.

Colour	Meaning
G	Strong adherence to NZSA policies
A	Part adherence or a lack of disclosure as to adherence with NZSA policies
R	A clear gap in expectations compared with NZSA policies
n/a	Not applicable for the company

Governance

NZSA assessment against its key policy criteria is summarised below:

Policy Theme	Assessment	Notes
Directors Fees	G	See below.
Director share ownership	G	Directors are not required to own shares.
Executive Remuneration	n/a	Not applicable.
Golden parachutes/handshakes	n/a	Not applicable.
Director Independence	G	Apart from the Managing Director, all Directors are independent.
Board Composition	A	See below.
Director Tenure	G	See below.
ASM Format	G	Hybrid. See below.
Independent Advice for the Board	G	See below.

Directors Fees: While disclosure is generally clear, we note there is provision in the company's constitution for Directors to receive retirement benefits. NZSA does not believe these are appropriate.

Director Independence: As per our 2021 comments, we note that the CEO (a Morrisons & Co staff member) is also a non-independent Director of the company, a position not generally supported by NZSA for company of Infratil's size. NZSA, however, does recognise the relationship between Morrison & Co and Infratil, which may influence this appointment, ensuring that the CEO is acting in the best interests of Infratil and its shareholders.

Board Composition: The Corporate Governance Statement includes a skills matrix that describes the skill sets required to govern the company. However, these are not shown as attributable to individual directors to demonstrate how they contribute to the governance of the company. NZSA would prefer a greater level of disclosure in the Annual Report in future.

The company does not participate in an Emerging Director programme designed to develop and mentor the next generation of Directors. NZSA expect NZX50 companies to participate as part of a responsibility to develop and mentor the next generation of Directors. In discussions with NZSA, IFT noted that HRL Morrison, Infratil's Manager, offers an internal programme to support director development.

The nature of the company's board indicates a commitment to thought, experiential and social diversity, with relevant experience for Infratil.

Director Tenure: NZSA looks for evidence of ongoing succession or 'staggered' appointment dates that reduce the risks associated with effective knowledge transfer in the event of succession. We also prefer a term maximum of 9-12 years, unless there are exceptional circumstances that may apply.

Infratil's current directors were appointed between 2012-2022, with the exception of former Chair Mark Tume who was appointed in 2007. Mark Tume has supported the transition of Chair to Alison Gerry, and will depart the Board in December 2022. We note that Infratil appears to be in the midst

of its Board succession programme, showing a greater commitment to managing succession risk over the last 2 years.

ASM Format: NZSA prefers ‘hybrid’ ASM’s (i.e., physical, and virtual) as a way of promoting shareholder engagement while maximising participation.

Independent Advice for the Board: NZSA looks for evidence, through disclosures, that a Board has access to appropriate internal and external expertise to support board assurance activities. We also look for evidence that Boards are across their risk management responsibilities.

NZSA notes the presence of a Manager Engagement Board Committee, “to monitor Morrison & Co’s performance and compliance with the Management Agreement”. We also note that, notwithstanding the operational remit of the Manager, all investments and divestments require approval by the Infratil Board. While the Committee receives regular reports from the Manager, it is unclear as to the extent to which the Board can access further advice from internal or external sources, or whether Infratil/Manager assurance staff have unfettered access to the Infratil Board.

Infratil’s approach to risk management is embedded in its investment approach. There is excellent disclosure of financial, operation and external environment risks throughout its reporting.

Audit

NZSA assessment against its key policy criteria is summarised below:

Policy Theme	Assessment	Notes
Audit independence	G	Good disclosure.
Audit rotation	A	See below.

Audit Rotation: Whilst the company ensures the Lead Audit Partner is rotated at 5 years as required by the NZX Listing Rules, it does not disclose if the Audit Firm is rotated at 10 years. NZSA acknowledges the difficulty of identifying a suitable auditor given the large number of cross-relationships created by Infratil’s constituent investments.

Notwithstanding audit tenure, NZSA also expects disclosure of the appointment dates of the Lead Audit Partner and Audit Firm to improve transparency for investors.

Ethical and Social

NZSA assessment against its key policy criteria is summarised below:

Policy Theme	Assessment	Notes
Whistleblowing	G	Good disclosure.
Political donations	A	Not disclosed if any donations were made.

Political Donations: NZSA policy is that companies should not make donations to political parties. We expect disclosure to this effect, even if none have been made. Infratil confirmed with NZSA that it does not make political donations.

Environmental Sustainability: We note the discussion in the Annual Report on the impact of climate change on Infratil’s activities and the emerging Climate-related Disclosure regime in New Zealand.

NZSA is close to releasing a draft *Environmental Sustainability* policy for consultation and is currently reviewing existing corporate disclosures. Note that NZSA’s policy is likely to consider broader aspects than climate-related disclosures.

Financial & Performance

Policy Theme	Assessment	Notes
Dividends and Imputation	G	Good disclosure
Capital Raise process	n/a	There was no capital raising
Takeover or Scheme	n/a	

Capital Raise: While there was no capital raise in FY2022, we note the matter raised by a shareholder in the Notice of Meeting, related to the capital raise carried out in FY2021. This contends that the statements made in Infratil’s interim and final reports that “*All eligible shareholders were offered pro rata participation*” were false or misleading, on the basis that the terms of the fundraising did not enable all shareholders to maintain their pro rata ownership should they have wished to do so.

NZSA’s commentary on this was provided in its 2021 Assessment Report for Infratil. We stated that:

During the [FY2021] year the company undertook a \$300 million capital raising by way of a Placement and Share Purchase Plan. NZSA’s preferred method is a renounceable rights issue to allow shareholders to reserve their proportionality or derive some value from the rights. We also expect disclosure of underwriting fees.

Discussions with Infratil indicated that the offer processes allowed pro-rata allocations to be received by 99.5% of shareholders. In its Interim Report, Infratil made the following statement:

“The Board’s key objective was to balance speed of execution, with ensuring that all shareholders were treated fairly. The Board considered that the combination of the SPP and the 2020 Placement provided the tightest pricing, quickest execution and time to settlement, and was able to be structured to protect existing shareholders. To ensure fairness and an equitable allocation, Infratil controlled the process of allotment of shares in both the SPP and the 2020 Placement.”

While the capital raise was not NZSA’s preferred method, we consider that the clear disclosure of the rationale and the close management of the subsequent allotment of shares acts, in part, to mitigate the effects of the capital raise structure.

NZSA continues to advocate for more specific disclosures in relation to non-pro-rata offers.

Performance Summary:

Infratils share price rose from \$7.43 to \$8.09 (as of 20th July 2022) over the last 12 months – a 9% rise. This compares favourably with the NZX 50 which declined by 12% in the same period. The capitalisation of IFT is \$5.9B placing it 9th out of 131 companies on the NZX by size and makes it a large company.

Metric	2022 (\$m)	2021 (\$m)	Change
Revenue	\$1,129m	\$1,242m	-9%
NPAT (attributable)	\$1,169m	-\$49.2m	n/a
EPS	\$1.65	-\$0.068	n/a
PE Ratio	5	n/a	n/a
Current Ratio	1.17	1.67	-30%
Debt Equity	0.92	1.33	-31%
Operating CF	\$82.8m	\$91.4m	-9%
Management Fee	\$278.5m	\$268.8m	4%
NTA Per Share	\$2.47	\$2.54	-3%
Dividends Per Share	\$0.185	\$0.1775	4%

Infratil is an investment company comprising a diverse range of investments, with varying degrees of interest and control in each. As such, their accounts are consolidated and there will be non-controlling interests (NCI) that need to be deducted from the overall statements to get a picture of what is attributable to the parent company.

Infratil had a good year with its share price bucking market trends and increasing by 9%. Revenue was down 9% to \$1,129m, however NPAT attributable to equity holders of the parent was up significantly to \$1,169m. NTA per share fell 3% to \$2.47. Operating cashflows were down slightly at \$83m.

The company is in solid financial position with the current-ratio at 1.17 and the debt-equity ratio at 0.92. During the year the company slightly reduced their debt.

Infratil also increased their dividend by 4% to \$0.185 for the year. Dividends are fully imputed.

Infratil paid \$278.5m in management fees to Morrison & Co Infrastructure Management under a Management Agreement. \$57.3m relates to NZ and International portfolio management fees and \$221.2m is for International Portfolio Incentive Fees.

A results presentation released on the 19th May providing an overview and outlook of their main investments can be [found here](#).

Resolutions

1. To re-elect Alison Gerry as an Independent Director.

Alison Gerry was appointed to the Board in 2014 and is the Chair. She is also a director of Air New Zealand, ANZ Bank New Zealand, and Chair of Sharesies. She has been a professional director since 2007. Prior to her governance career, Alison worked for corporates and financial institutions in Australia, Asia and London in trading, finance, and risk roles for over 20 years.

We will vote undirected proxies **IN FAVOUR** of this resolution.

2. To re-elect Kirsty Mactaggart as an Independent Director.

Kirsty Mactaggart was appointed to the Board in 2019. She is also a director of Sharesies Investment Management Limited and an independent advisor to companies and shareholders on Equity Capital Market transactions. Prior to her director and advisor career, she was Head of Equity Capital Markets and Corporate Governance for Fidelity International in Asia and was also a Managing Director at Citigroup based in Hong Kong and London.

We will vote undirected proxies **IN FAVOUR** of this resolution.

3. To elect Andrew Clark as an Independent Director.

Andrew Clark was appointed to the Board 1 June 2022 and is therefore required to offer himself for election. He is a strategist and transformation executive with over 30 years of diverse management consulting experience. During this time, he held a number of senior roles within the Boston Consulting Group (BCG). Andrew is based in Melbourne, Australia.

We will vote undirected proxies **IN FAVOUR** of this resolution.

4. Payment of FY21 Incentive Fee by Share Issue.

5. Payment of FY22 Incentive Fee by Share Issue.

Both resolutions relate to the incentive fees payable to the Manager Morrison & Co. The Management Agreement allows for the payment in cash or shares or a mixture of both.

The Board has not made a decision whether to use the 2021 Scrip Option for the third instalment of the FY2021 Incentive Fee (if that is payable) or the 2022 Scrip Option for the second instalment of the FY2022 Incentive Fee (if that is payable) but would like to have both options available if the Board considers that to be in the best interests of Infratil.

The Board is seeking approval to have the option of paying the incentive fees in shares. Full details are set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of these resolutions.

6. That the Board is authorised to fix the auditor’s remuneration for the coming year.

This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of these resolutions.

Proxies

You can vote online or appoint a proxy at <https://www.vote.linkmarketservices.com/ift/>

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **2.30pm Tuesday 23 August 2022.**

Please note you can appoint the Association as your proxy. We will have a representative attending the meeting.

The Team at NZSA