August 5th 2024

Infratil Limited (IFT)

The company will hold its Annual Shareholders Meeting at **11.00am Thursday 22 August 2024.**

The location is **Museum of New Zealand Te Papa Tongarewa, 55 Cable Street, Wellington.**

You can also join the meeting online at this link.

Company Overview

Infratil is an infrastructure investment company with holdings in 15 renewable energy, airports, digital infrastructure and healthcare investments 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. During this year, IFT celebrated its 30th anniversary listing on the NZX in March 1994.

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.

The company has benefitted significantly from structural 'tailwinds' associated with data and energy de-carbonisation.

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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

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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	The company is managed by Morrison & Co.
Golden parachutes/handshakes	n/a	See above.
Director Independence	G	All Directors apart from the Managing Director are independent.
Board Composition	G	See below.
Director Tenure	A	See below.
ASM Format	G	Hybrid. See below.
Independent Advice for the Board and Risk Management	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; to the best of our knowledge, IFT has no intention of making such payments.

Directors can also receive special exertion payments. NZSA is generally not in favour of these but expects full disclosure where such payments are made. It does not appear that any payments were made in FY24.

Director Independence: We note the Managing Director and CEO is a Morrisons & Co staff member, 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 Annual Report includes a skill matrix that attributes skill sets to individual Directors to demonstrate how they contribute to the governance of the company.

The company does not participate in any Emerging Director programme 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.

NZSA notes Infratil's bias towards 'longer-term' directors, correlated with the long cyclicality associated with their investments. The Board comprises a mix of director tenures as shown in the table below. While NZSA is supportive of this approach, we believe this increases the responsibility of the Board to set out its succession rationale clearly – particularly in relation to how it manages the transition of the key skills required to govern Infratil between longer-serving and newer directors.

We note that Paul Gough (proposed for re-election this year) was appointed in 2012 and the Chair, Alison Gerry, in 2014. Given the nature of their skills, we would expect to see some indication of longer-term 'transition' planning to ensure that Infratil's Board remains skills-resilient in the face of any unforeseen director resignation.

The other Directors appointment dates range from 2016 to 2023.

Year appointed	# of Directors
Since Jun 2021	2
Jun 2018 – Jun 2021	2
Jun 2015 – Jun 2018	1
Jun 2012 – Jun 2015	2

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

The Board Charter provides for Directors to have access to independent external professional advice. It also discloses that the Company Secretary has unfettered access to Board members. Whilst the company does not have an internal audit function the Board has established processes and procedure to provide effective internal financial control.

We note in addition to the risk management disclosures in the Annual Report the company released a Climate Change Disclosure Report and a Sustainability Report during FY24.

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 also expects disclosure of the appointment dates of the Lead Audit Partner and Audit Firm to improve transparency for investors.

Environmental Sustainability

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NZSA assessment against its key policy criteria is summarised below:

Policy Theme	Assessment
Approach	G
Sustainability Governance	G
Strategy and Impacts	G
Risk and Opportunity	G
Metrics and Targets	G
Assurance	A

Overall approach: Infratil as issued a separate Climate-Related Disclosure (CRD) report on July 30th. We note that the company has adopted all possible adoption provisions related to the CRD regime. NZSA considers this an appropriate step in the company building its capability to meet full disclosure.

NZSA notes the significant improvement in Infratil's Environmental Sustainability reporting as compared with FY23. We continue to encourage issuers to adopt a 'broad approach' to the disclosure and consideration on environmental and/or sustainability risks and opportunities relevant for their business.

Sustainability Governance: Infratil discloses a director skills matrix that shows the relative capability of each (named) director in seven areas of expertise - although we note that none of these areas exclusively relate to sustainability issues.

As an externally-managed company, Infratil relies heavily on the capabilities of its Manager (HRL Morrison) to govern and manage its environmental sustainability requirements.

Strategy and Impact: Infratil's sustainability strategy has three areas of focus: investing to enable the provision: setting SBTi emission reduction targets, and understanding and reporting on impacts to nature. They are also one of a few companies to have already provided a draft transition plan which they describe as pulling together "*the elements of Infratil's strategy and sustainability strategy that collectively describe's Infratil's targets for its transition towards a low-emissions, climate-resilient future*".

Risk and Opportunity: Infratil provide a thorough description of their climate-related risks, opportunities and mitigation strategies. They categorise the timeframe of these risks from short to long term and level of risks from minor to severe.

Metrics and Targets: As noted last year, as an investment holding company, Infratil report having no Scope 1 or 2 GHG emissions. This is a differing approach to that taken by other investment companies (such as Kingfish) and points to potential interpretation differences in disclosure requirements for funds, or differences in investor expectations.

They provide a detailed breakdown of their Scope 3 emissions with some metrics having comparative data from FY22. They also disclose a number of other climate metrics related to their portfolio of assets. Infratil have disclosed a number of emissions reduction targets and aim to have them SBTi validated in the future.

Assurance: While Infratil have provided external limited assurance for their GHG emissions data for the first time, NZSA encourages the company to include the wider scope of all environmental statements or claims made in its Sustainability Report.

Ethical and Social

NZSA assessment against its key policy criteria is summarised below:

Policy Theme	Assessment	Notes
Whistleblowing	G	Good disclosure.
Political donations	A	See below

Political Donations: NZSA policy is that companies should disclose their position relating to donations to political parties, even where there are none to disclose.

Financial & Performance

Policy Theme	Assessment	Notes
Capital Management	A	See below.
Takeover or Scheme	n/a	

Dividend: Whilst the dividend paid is disclosed there is no disclosure of a dividend policy. Discussions with the company note differing investor expectations in terms of dividend, hence the lack of a clearly articulated policy. NZSA's preference is that dividends are paid to the extent that imputation credits are available. Investors should be prepared to adopt a 'total returns' approach (ie, including capital growth) to any investment in Infratil.

Capital Raise: During FY24 (July 2023), the company raised $935m capital by way of an institutional placement ($750m) and a retail share purchase plan ($100m plus $85m oversubscriptions).

This same structure was repeated in July 2024 (FY25), with a total raise of $1.275 billion ($1bn institutional, $150m retail with oversubscriptions of a further $125m). Oversubscriptions were allocated on the basis of the *total* capital raise (ie, including the institutional placement).

It is unclear to NZSA as to the relative shareholding between institutional and retail shareholders; anecdotally, we believe that retail shareholders comprise 40% of Infratil's shareholder base. We would prefer greater transparency/disclosure to provide a clear rationale for the relationship between the capital raise amounts associated with the institutional placement and the retail SPP offer.

NZSA appreciated the proactive contact from Infratil in explaining the rationale that "*such a structure provides the tightest pricing, quickest execution and time to settlement.*" The company held a concern that an accelerated renounceable (AREO) or non-renounceable (ANREO) offer would have had a longer settlement period, with greater exposure to market risk.

Nonetheless, NZSA prefers capital raising by way of a renounceable share rights offer, as this provides a clear (and fair) allocation mechanism for shareholders related to their existing holding, with an opportunity to receive value for unused rights. We also believe the accelerated timetable possible under NZX rules ('AREO') provides speed, flexibility and certainty for issuers, particularly for those as credible as Infratil. NZSA does recognise that an AREO structure places a greater onus on small shareholders to find cash within a short timeframe, as compared with the longer timeframes associated with a retail SPP offer. We also note the expanded SPP 'limit' ($100k) that allowed nearly every retail shareholder participate without dilution.

We intend to work more closely with Infratil to understand their concern as to the relative timing differences between differing offer structures and the risks/opportunities for retail shareholders.

Financial summary: Infratil's share price rose from $10.00 to $10.64 (as of 29th May 2024) over the last 12 months – a 6% increase. This compares favourably with the NZX 50 which declined by 2% in the same period. The capitalisation of IFT is $8.9b placing it 6th out of 126 companies on the NZX by size and makes it a large company.

Metric	2021 ($m)	2022 ($m)	2023 ($m)	2024 ($m)	Change
Share Price	$8.09	$7.70	$10.20	$10.64	4%
Revenue	$1,242m	$1,129m	$1,845m	$3,243m	76%
NPAT (attributable)	-$49.2m	$1,169m	$643.1	$854.0m	33%
EPS	-$0.068	$1.65	$0.89	$1.03	15%
PE Ratio	n/a	5	11	10	n/a
Capitalisation	$5.4b	$5.6b	$7.4b	$8.9b	20%
Current Ratio	1.67	1.17	0.99	0.67	-33%
Debt Equity	1.33	0.92	0.75	1.16	54%
Operating CF	$91.4m	$82.8m	$8.8m	$457.8m	n/a
Management Fee	$268.8m	$278.5m	$232.9m	$214.6m	-8%
NTA Per Share	$2.54	$2.47	$3.08	$0.48	-85%
Dividends	$0.1775	$0.185	$0.1925	$0.20	4%

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

Infratil had another good year with its share price continuing to outperform the market and increasing by 4%. *Revenue* was up 76% to $3,243m and *NPAT* attributable to equity holders of the parent was up 33% to $854m. *NTA* per share fell 85% to $0.48 after the acquisition of the remaining 49% of OneNZ which added a large amount of 'Goodwill on Acquisition' to the balance sheet. Shares trade at huge premiums to NTA which is testimony to the faith the market has in the manager.

Operating cashflows were robust at $457.8m.

Usual metrics, such as NPAT and Operating Cashflow, are not that meaningful for comparative purposes, as IFT are an investment company and as such these metrics will be volatile in nature.

The company is in solid financial position with the *current-ratio* at 0.67 and the *debt-equity* ratio rose to 1.16. During the year, the company took on additional debt, but debt levels are not excessive.

Infratil also increased their dividend by 4% to $0.20. Dividends are fully imputed.

Infratil paid $214.6m in management fees to Morrison & Co Infrastructure Management under a Management Agreement.

A results presentation released on the 21st May provide an overview of investments and pages 31-33 provide extensive guidance for FY25.

The top 20 shareholders are a variety of institutional investors.

Resolutions

1. To re-elect Paul Gough as an Independent Director.

Paul Gough was appointed to the Board in 2012. He is managing partner of the UK private equity fund STAR Capital. He is a director of several international companies in the transport, logistics, healthcare, infrastructure, and financial services sectors. Paul previously worked for Credit Suisse First Boston in New Zealand and London.

If he is re-elected, he will have served 15 years at the end of that term. As noted above, NZSA prefers directors to not exceed 12 years in tenure. In Infratil's context, and given the skills that Mr. Gough offers to the Board, we are supportive of his continued tenure at this stage – however as noted earlier in this assessment, we expect the Board to offer a clear indication of the likely succession planning and board composition focus for the wider Board, to ensure that Infratil remains skills-resilient in the context of any unexpected event.

We will consider Mr. Gough's re-election on its merits for any further term post-2027. While we consider his skills highly relevant, regardless of independence status, we would be more likely to support any future term as a non-independent director.

On this basis, we will vote undirected proxies **IN FAVOUR** of this resolution.

2. To re-elect Jason Boyes as a Non-Independent Director.

Jason Boyes was appointed to the Board in 2021. He is Chief Executive of Infratil. Jason is Chair of Longroad Energy and a director of CDC Data Centres. He joined Morrison in 2011 after a 15-year legal career in corporate finance and M&A in New Zealand and London. Jason has an interest in Morrison, which has the Management Agreement with Infratil.

NZSA does not generally support the inclusion of CEO's on a company's Board, as a means of ensuring that company executives can be held to account more effectively when required. In mitigation, however, we note that Mr. Boyes does not participate in the Manager Engagement

Committee, which includes ALL other Board members. The Corporate Governance Statement specifically notes that "*Manager representatives do not attend meetings of the Committee*."

On this basis, we will vote undirected proxies **IN FAVOUR** of this resolution.

3. Payment of FY2023 Incentive Fee by Share Issue (2023 Scrip Option)

That Infratil be authorised to issue to Morrison Infrastructure Management Limited (Morrison), within the time, in the manner, and at the price, prescribed in the Management Agreement, such number of fully paid ordinary shares in Infratil (Shares) as is required to pay all or such portion of the third instalment of the 2023 Incentive Fee (to the extent payable) as the Board elects to pay by the issue of Shares (2023 Scrip Option), and the Board be authorised to take all actions and enter into any agreements and other documents on Infratil's behalf that the Board considers necessary to complete the 2023 Scrip Option.

The Board of Infratil is able to pay incentive fees to HRL Morrison in either cash or Infratil shares. The Board has not yet made a decision as to the preferred mechanism for the last (third) instalment of the FY23 Incentive Fee payable, but would like to retain the flexibility to make this decision. The issue of shares requires approval under NZX listing rules.

NZSA believes this flexibility supports effective cash management at Infratil.

On this basis, we will vote undirected proxies **IN FAVOUR** of the resolution.

4. Payment of FY2024 Incentive Fee by Share Issue (2024 Scrip Option)

That Infratil be authorised to issue to Morrison, within the time, in the manner, and at the price, prescribed in the Management Agreement, such number of Shares as is required to pay all or such portion of the second instalment of the 2024 Incentive Fee (to the extent payable) as the Board elects to pay by the issue of Shares (2024 Scrip Option), and the Board be authorised to take all actions and enter into any agreements and other documents on Infratil's behalf that the Board considers necessary to complete the 2024 Scrip Option.

Similar to Resolution 3, the Board of Infratil is able to pay FY24 incentive fees to HRL Morrison in either cash or Infratil shares. The Board has not yet made a decision as to the preferred mechanism for the second instalment of the FY24 Incentive Fee payable, but would like to retain the flexibility to make this decision. The issue of shares requires approval under NZX listing rules.

NZSA believes this flexibility supports effective cash management at Infratil.

On this basis, we will vote undirected proxies **IN FAVOUR** of the resolution.

5. 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 this resolution.

Proxies

You can vote online or appoint a proxy at https://vote.linkmarketservices.com/IFT/

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

Voting and proxy appointments close **11.00am Tuesday 20 August 2024.**

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

The Team at NZSA