

AIFL Corporate Governance Statement

Australian Infrastructure Fund Limited

The Company has adopted and operates under each of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations. To the extent that the Company does not fully comply with a particular recommendation, it is disclosed and explained in this Corporate Governance Statement.

1. Board of Directors

1.1 Board's role and responsibilities

AIFL's Board has the responsibility to plan and run the business and affairs of the Company for the benefit of the securityholders and is accountable to the securityholders for the performance of the Company.

The Board of AIFL has adopted a Charter which sets out its responsibilities and functions as follows:

- (a) the governance of the Company;
- (b) planning the business and affairs of AIFL;
- (c) the strategic direction and control of AIFL, whilst delegating certain responsibilities for the operation and administration of AIFL to Hastings;
- (d) monitoring the performance of Hastings in discharging its responsibilities; and
- (e) specific responsibilities and functions:
 - (i) reviewing and approving corporate strategies, budgets, plans and policies;
 - (ii) evaluating performance of AIFL against strategies and business plans;
 - (iii) monitoring the performance of Hastings;
 - (iv) assessing the suitability of AIFL's overall strategies, business plans and resource allocation;
 - (v) monitoring AIFL's financial position and business results (including the audit process);
 - (vi) considering management recommendations on investments and strategic commitments;
 - (vii) ensuring regulatory compliance and adequate risk management processes;

- (viii) reviewing and approving policies in relation to the management of business risks, legal risks, corporate governance, privacy, environmental risks and other issues; and
- (ix) ensuring a high level of transparency in reporting to securityholders and compliance with the highest ethical standards and business practices.

AIFL has adopted a formal delegation of authority in favour of senior members of Hastings management, including AIFL's Chief Operating Officer (COO), to allow Hastings to carry on the business of the Company.

1.2 Composition of the Board and independence

The Board of AIFL seeks to achieve a balance of skills, experience and knowledge among its directors to allow the directors to discharge their duties and responsibilities to the Company.

The directors have adopted the definition of independence recommended by the ASX Corporate Governance Council. Directors are considered independent of Hastings if they are free of any business or management relationship that could materially interfere with the discharge of their duties or the exercise of their judgement.

The Board is comprised of six directors, four of whom are independent. Paul Espie is the independent Chairman and is not an executive of either AIFL or Hastings. The Chairman has been a director of AIFL since June 1994 and is the longest serving director. The Board values and respects the continuity that the Chairman provides and is also committed to renewal and diversity. On 11 September 2006, the Board appointed Robert Humphris to the Board. Peter McGregor, AIFL's COO, was appointed to the Board on 20 June 2007.

The current Board composition, with individual directors' details, is set out on pages 28 to 29.

1.3 Nomination of new directors

Having regard to its size and the role and functions of the directors, the Board has determined that it is more appropriate for the full Board to consider and address the appointment of new directors, rather than establish a Nomination Committee. The Board prepares a shortlist of potential new directors and may appoint consultants to assist with the identification of suitable candidates. In considering the membership of the Board, the directors consider the required competencies of directors for the present and future needs of the Company, having regard to the mix of skills, experience and other qualities of existing directors.

1.4 Independent professional advice

After consultation with the Chairman, directors may seek independent professional advice at the Company's expense. Following its receipt, such advice would normally be made available to all directors.

1.5 Conflicts of interest

The directors are required to disclose any actual or potential conflicts of interest and to abstain from participating in any discussion or voting on any matter in which they have a material personal interest, except with the prior approval of the Board. Directors are also required to inform the Chairman of any proposed Board or executive appointments they are considering undertaking, to determine whether there is any actual or perceived conflict with the director's duties to the Company.

1.6 Review of Board performance

The performance of the Board is reviewed regularly; a review was conducted in early 2007.

1.7 Operations of the Board

The Board meets regularly and is provided with all necessary information to participate in an informed discussion of all agenda items. It also meets informally in the absence of Hastings to discuss the operations of the Board and a range of other matters.

There is an induction process for new directors and directors are entitled to undertake ongoing education to enable them to fulfil their responsibilities.

The Board is also responsible for the appointment and removal of the Company Secretary; the directors have unfettered access to the Company Secretary who is accountable to the Board on all governance matters.



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continued

2. Audit Committee

The AIFL Board has established an Audit Committee with a formal charter setting out its roles and responsibilities. The HFML and AIFL Boards have also established a Joint Audit Committee with a formal charter. The Charters are available for inspection on the AIX website at www.aif.net.au.

The duties of the Committees include the nomination of the external auditor, reviewing the adequacy of the scope and quality of the annual audit and half year reviews, reviewing key financial information provided to securityholders, reviewing compliance and internal audit reports, and monitoring financial risk management and compliance matters.

The AIFL Audit Committee comprises only independent non-executive directors. The Chairman of the Committee is John Harvey; Robert Tsenin and the Board Chairman, Paul Espie, are members of the committee. These members are also the representative members of the Joint Audit Committee.

All directors of the Board are entitled to attend the Audit Committee meetings. The external auditor, the Chief Financial Officer of Hastings and the Company Secretary and Head of Compliance attend by invitation.

The performance of the Audit Committee was reviewed in conjunction with the Board review conducted in early 2007.

3. Risk management

The Audit Committee monitors risk and compliance processes. As part of its role, the Audit Committee reviews the processes in place for the identification, management and reporting of financial risk and reviews the reported findings. As part of this process, each year Hastings prepares and provides a representation letter to the Board. This representation letter addresses the compliance, legal and accounting requirements; financial risks; the nature, extent and effectiveness of risk management processes, internal compliance, accounting and internal control systems; and corporate conduct generally.

The AIX COO, acting in the capacity of the Chief Executive Officer (CEO) of AIX, and the Chief Financial Officer of Hastings have made the following certifications to the Board of AIFL:

- that AIFL's financial report presents a true and fair view, in all material respects, of AIFL's financial condition and operational results and is in accordance with relevant accounting standards;
- that this response is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- that AIX's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

4. Disclosure and transparency

4.1 Communication with securityholders

The Board is committed to effectively communicating with securityholders to ensure that they are kept fully informed of all information necessary to assess the performance of AIX.

Information is communicated via:

- (a) the annual reports;
- (b) the Annual General Meeting and any other general meetings;
- (c) ASX announcements; and
- (d) the AIX website at www.aif.net.au.

4.2 Continuous Disclosure

AIFL has adopted a Continuous Disclosure Policy in order for AIX to meet its ASX Listing Rules obligations and ensure that the market remains fully informed. A copy of the Continuous Disclosure Policy is available at www.aif.net.au.

4.3 Insider Trading

The Board has adopted a policy on trading in securities. The policy specifies the periods during which directors of the Company and employees of Hastings can purchase and sell AIX securities, and the authorisation procedure.

4.4 Code of Conduct

AIFL is committed to the highest standards of ethical conduct and has adopted a Code of Conduct setting out acceptable standards of behaviour. The Code of Conduct is designed to promote the responsibility and accountability of individuals for reporting and investigating unethical practices, and to guide compliance with legal and other obligations. A copy of the Code of Conduct is available at www.aif.net.au.

5. Auditor independence

PricewaterhouseCoopers was appointed the external auditor of the Company at the Annual General Meeting (AGM) held in November 2006. The Audit Partner is invited to attend Audit Committee meetings and is required to attend the AGM to be available to answer securityholders' questions about the conduct of the audit and the preparation and content of the Auditor's Report.

The Board has adopted a policy in relation to the provision of non-audit services by its auditor which might detract from the auditor's independence and impartiality or be perceived as doing so. Specifically, it has been determined that the external auditor should not provide the following services to AIX:

- independent valuations of assets for the purpose of determining the value of assets owned by AIX;
- taxation services related to development of a new product for AIX where fees are success based; or
- bookkeeping or other services related to accounting records or financial statements of AIX.

The compliance and internal audit function is managed by Hastings.

6. Remuneration framework

Having regard to its size and the role and functions of the directors, the Board has determined that it is more appropriate for the full Board to consider and address the remuneration of directors rather than establish a Remuneration Committee. The Company has no employees other than the directors.

Details of the Company's remuneration policies and the remuneration of the directors are set out in the Remuneration Report at pages 43 to 44. Securityholders will have an opportunity to consider the Remuneration Report at the 2007 Annual General Meeting.