

# AIFT Corporate Governance Statement

## Australian Infrastructure Fund Trust

Hastings 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 Hastings 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

Hastings is the Responsible Entity, Trustee and Manager for a number of funds, including AIFT. The Board of Hastings has the responsibility to plan and run the business and affairs of the Trust for the benefit of the securityholders and is accountable to the securityholders for the performance of the Trust.

The Board also has the following responsibilities and functions:

- reviewing and approving corporate strategies, budgets, plans and policies;
- evaluating performance of the Trust against strategies and business plans in order to assess the suitability of the Trust's overall strategies, business plans and resource allocation;
- monitoring the Trust's financial position and business results (including the audit process), to understand at all times the financial health of the Trust;
- ensuring that there is continuing education and information provided to directors regarding:
  - the Trust's business; and
  - the role of the Board and its functions and obligations;
- ensuring regulatory compliance and adequate risk management processes;
- reviewing and approving policies in relation to the management of business risks, legal risks, corporate governance, privacy, environmental risks and other issues; and
- ensuring a high level of transparency in reporting to securityholders and compliance with the highest ethical standards and business practices.

Hastings has adopted a formal delegation of authority in favour of the Chief Executive Officer (CEO), Company Secretary and senior members of management to allow management to carry on the business of the Trust.

#### 1.2 Composition of the Board and independence

The Board of Hastings is comprised of seven directors, three of whom are independent.

- Liam Forde, Chairman: Following the retirement of Hastings' Managing Director on 15 June 2007, the Chairman of the Board was appointed Executive Chairman of Hastings on an interim basis until Steve Boulton commenced. The Board has assessed that whilst the Executive Chairman was not independent between 15 June and 3 September, owing to the short-term interim nature of the arrangement, he resumed his independent status from 3 September 2007 following Steve Boulton's commencement as CEO on that date.
- Steve Boulton, CEO: Steve was appointed with effect from 3 September and is an executive of Hastings.
- Mike Hutchinson: Mike is also a director of AIFL, appointed in accordance with the Protocol entered into between AIFL and Hastings in 2005. The Board has reassessed the independence status of Mike and resolved that he is independent for the following reasons:
  - he is only one of several directors on the Board of Hastings, is a non-executive director and as such cannot unduly influence the Board's decision-making process;
  - he is a non-executive director of AIFL, only one of a number of directors on the AIFL Board and is remunerated by way of a fixed fee and not incentive arrangements;
  - he has disclosed his interest as a director of AIFL and always declines to vote on those matters where a potential conflict of interest arises between HFML and AIFL; and
  - he has demonstrated personal integrity and independence in all his dealings with both HFML and AIFL.
- Jim McDonald: Jim was appointed on 18 June 2007 and is an independent director.
- Jim Tate and Sean McElduff: Jim and Sean are employees of Westpac Banking Corporation, the owner of Hastings, and neither is independent.
- Alan Freer: Alan was appointed to the Board with effect from 1 September 2007. He is a consultant to Hastings and is not independent.

The Board reviewed its composition to ensure that it achieves a balance of skills, experience and knowledge to allow the directors to discharge their duties and responsibilities and to position the Company for future growth.

The current Board composition, with individual directors' details, are set out on pages 30 to 32.

#### 1.3 Nomination and remuneration of directors

Hastings has not established a nomination committee as the appointment and remuneration of its directors is determined by Westpac Banking Corporation on the recommendation of the Hastings' Board. Westpac's Nomination Committee approves the appointment of the external directors and the remuneration of the external directors is determined by the Remuneration Committee of Westpac. Hastings' non-executive directors are not remunerated out of the property of AIX.

#### 1.4 Independent professional advice

After consultation with the Chairman, directors may seek independent professional advice at the expense of Hastings. 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 Trust or Hastings.

All related party transactions or potential conflicts of interest involving any director or any related parties of either the directors or Hastings, such as Westpac Banking Corporation, are disclosed. Hastings has established a related party subcommittee which considers all related party transactions. The subcommittee is comprised of any two of the CEO and any of the independent directors.

#### 1.6 Review of Board performance

Following the review of the Board's composition, the Board has agreed that a performance review will be conducted once the recent appointees have settled into their new roles.

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## 1.7 Operation of the Board

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

The Board has 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.

## 2. Audit & Compliance Committee

The Board has established an Audit & Compliance Committee with a formal charter setting out its roles and responsibilities.

The Charter is available for inspection on the Hastings website at [www.hfm.com.au](http://www.hfm.com.au).

The duties of the Audit & Compliance Committee include reviewing the financial management and internal controls, compliance and internal audit function, external audit, including the selection and appointment of the external auditor of the funds managed by Hastings, risk management, managed investment scheme compliance, reviewing the financial statements, and the adequacy of the scope and quality of the annual and half year statutory audits.

The Audit & Compliance Committee comprises three members, all non-executive and independent. Since 23 July 2007, the Chairman of the Committee is Mike Hutchinson; Liam Forde and Jim McDonald are members.

Following the review of the composition of the Audit & Compliance Committee, the Audit & Compliance Committee has agreed that a performance review will be conducted once members have settled into their new roles.

All directors of the Board are entitled to attend the Committee meetings, including the joint AIFL/HFML Audit Committee meetings. The external auditor, CEO, Chief Financial Officer, and the Company Secretary and Head of Compliance, attend by invitation.

## 3. Risk management

The Audit & Compliance Committee monitors risk and compliance processes. As part of its role, the Committee reviews the processes in place for the identification, management and reporting of business and 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; risks (both financial and business); the nature, extent and effectiveness of risk management processes, internal compliance, accounting and internal control systems; and corporate conduct generally.

The AIX Chief Operating Officer, acting in the capacity of the Chief Executive Officer of AIX, and the Chief Financial Officer of Hastings have made the following certifications to the Board of Hastings:

- that AIX's financial report presents a true and fair view, in all material respects, of AIX's financial condition and operational results and is in accordance with relevant accounting standards;
- that this response to the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- that Hastings' 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 the 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 Hastings' website at [www.hfm.com.au](http://www.hfm.com.au).

### 4.2 Continuous Disclosure

The Board has adopted a Continuous Disclosure Policy in order for Hastings to meet its Listing Rules obligations and ensure the market remains fully informed. A copy of the Continuous Disclosure Policy is available at [www.hfm.com.au](http://www.hfm.com.au).

### 4.3 Insider Trading

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

#### **4.4 Code of Conduct**

Hastings 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.hfm.com.au](http://www.hfm.com.au).

#### **5. Auditor independence**

PricewaterhouseCoopers was appointed the external auditor of the Trust in November 2006. The Audit Partner is invited to attend Audit Committee meetings and to attend the AGM to be available to answer securityholder 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 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; and
- bookkeeping or other services related to accounting records or financial statements of AIX.

#### **6. Remuneration framework**

Details of amounts paid to Hastings as Responsible Entity of the Trust are disclosed in the related party note contained in the financial reports included in this Annual Report at page 82. Hastings is paid a management fee in accordance with the terms of the Trust's constitution and the management agreement with AIFL. Hastings' directors and employees are not remunerated out of the property of AIX.

The Remuneration Report for AIFL is on page 43 to 44.