

Corporate Governance and Trustpower Charter

Trustpower Limited Board of Directors Charter

Introduction

The Board of Directors is accountable to shareholders for the performance of Trustpower Limited (including subsidiaries controlled by the Board of Trustpower).

In carrying out its responsibilities, the Board undertakes to serve the interests of shareholders, employees, customers and the broader stakeholders honestly, fairly, diligently and in accordance with applicable laws.

Role of the Board

The Board's responsibilities encompass the following:

1. Approve the strategic direction of Trustpower and monitor Management's implementation of that strategy;
2. Select and appoint (and, if appropriate, remove from office) the Chief Executive, determine his/her conditions of service and monitor his/her performance against established objectives;
3. Ratify the appointment (and, if appropriate, the removal from office) of the Chief Financial Officer and Company Secretary;
4. Ratify the remuneration of Senior Management consistent with their Employment Agreements;
5. Monitor financial outcomes and the integrity of reporting; in particular approve annual budgets and longer-term strategic and business plans;
6. Set specific limits of authority for Management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval;
7. Ensure that effective audit, risk management and compliance systems are in place to protect the Company's assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
8. Monitor compliance with regulatory requirements (including continuous disclosure) and set ethical standards and then monitor compliance with those standards;
9. Review, on a regular basis, senior management succession planning and development; and
10. Ensure effective and timely reporting to Shareholders.

The Board delegates, to the Chief Executive, responsibility for recommending and implementing the strategic direction and for managing the day-to-day operations of Trustpower. The Chief Executive consults with the Chairman, in the first instance, on matters that are sensitive, extraordinary or of a strategic nature.

Directors Take into Account

In fulfilling their role Directors must:

1. Be objective in assessing Management's performance, while working with management as a Team;
2. Be prepared to engage in vigorous debate between one another and with Management;
3. Ensure clear delegation between the Board and Management regularly monitoring and reviewing this position;
4. Commit the necessary time to be well briefed and able to fully participate in Board discussions;
5. Ensure the focus is on Company priorities rather than simply compliance matters;
6. Ensure potential conflicts of interest for Directors and Management are recognised and seriously and openly addressed;
7. Be cognisant of material value issues concerning the Company, supporting the retention or growth of those values, including brand value; and
8. Ensure decisions taken are for the benefit of the Company as a whole.

Board Composition

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution which is required to comply with the New Zealand Exchange Limited NZX Listing Rules. The Constitution provides for a minimum of three Directors and a maximum of seven.

Succession planning for the Board will be reviewed annually by the full Board. In considering potential new Directors to recommend to shareholders, the Board seeks to identify candidates with appropriate skills and experience to contribute to the effective governance of the Company.

The Chairman is appointed by the full Board. The Chairman should not also be the Chief Executive.

Role of Chairman

The Chairman presides over Board and General Meetings of the Company. He/she has the task of making sure the Board is well informed and effective; that the members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Company.

The Chairman is responsible for ensuring that the meetings are conducted competently and ethically and is expected to provide effective leadership in formulating the strategic direction for Trustpower.

He/she must ensure that General meetings are conducted efficiently and that shareholders have adequate opportunity to express their views and obtain answers to their questions.

Among the Chairman's other responsibilities are:

1. To see that new Board members are well briefed and have access to information on all relevant aspects of the Company's operations;
2. To be the Board's representative in dealings with Management ensuring that its views are communicated clearly and accurately;
3. To act as the primary contact to the Chief Executive;
4. To represent the views of the Board to the public, government, etc on appropriate occasions.

Board Meetings

The Board meets formally at least nine times per annum and whenever necessary to deal with urgent matters which may arise between scheduled meetings.

Senior Management normally attend Board meetings to present reports on, or seek approvals within, their areas of responsibility.

Part of a meeting may be taken up in private session (with only the Board members present) to discuss management issues or matters of a particularly sensitive nature.

Board Committees

To assist it in carrying out its responsibilities, the Board has established an Audit and Risk Committee, a Remuneration Committee and a Share Buyback Committee, comprising some of its members. The Board may also establish committees on an ad hoc basis for special projects or issues as the need arises. The Board Committees must not result in the abdication of responsibilities by those board members not on those committees. Each committee should produce a written charter that outlines the Committee's authority, duties, responsibilities and relationship with the Board. The Board should annually review the committees' performance objectives and responsibilities in accordance with that written charter.

The NZX Corporate Best Practice Code provides that the Company should establish a Nominations Committee to recommend Director appointments to the Board. The Board has determined not to establish a Nominations Committee as it believes that nominations can be more effectively administered by the Board.

The Board will review the need to establish a separate Health and Safety Committee over the next 12 months once it has had the opportunity to assess best practice guidance for health and safety governance following the introduction of the Health and Safety Reform Bill in March 2014.

Audit Committee

Membership:

The Board will appoint the Audit and Risk Committee comprising two or more Directors and an Audit Committee chairperson having regard for the following:

1. The Audit and Risk Committee chairperson may not be the Board Chairperson.
2. At least one Independent Director shall be appointed to the Audit and Risk Committee
3. At least one Director appointed to the Audit and Risk Committee must have significant financial and accounting knowledge and experience.

Role includes:

1. To monitor the integrity of the financial statements of the company, reviewing significant financial reporting judgements
2. To review the company's internal financial control systems
3. To establish the internal audit programme and monitor and review the effectiveness of the internal audit function
4. Monitor compliance with financial statutory and regulatory matters
5. Review and monitor the effectiveness of Trustpower's Enterprise Risk Management framework and ensure the maintenance of an appropriate risk culture within Trustpower.
6. Review Trustpower's material business risks and Trustpower's management of these risks.
7. Review and monitor other risk assurance activities undertaken internally or by external parties such as ISO and Electricity Authority audits.
8. Monitor compliance with risk management policies and procedures
9. To make recommendations to the Board in relation to the appointment of internal and external auditors, their terms of engagement and remuneration

10. To monitor and review the auditors' independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements
11. To develop and implement policy on the engagement of the internal and external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the auditing firm or firms
12. Effectively maintain open lines of communication with the internal and external auditors.

Remuneration Committee

Membership:

The Board will appoint a Remuneration Committee comprising two or more Board members all of whom shall be non-executive directors.

The responsibilities of the Committee include:

1. review and recommend to the Board for approval the remuneration policy for Directors and Senior Executives and ensure that the structure of the policy allows the Company to attract and retain Directors and senior executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations;
2. annually review and recommend to the Board for approval the remuneration packages of all Directors and senior executives of the Company;
3. with reference to the Board, manage the employment or deployment of the Chief Executive and negotiate employment terms.
4. Participate in the process of employment of the Chief Financial Officer and recommend to the Board their confidence in any appointment.
5. establish appropriate performance criteria, from time to time, for the Long-term Incentive Plan and make recommendations to the Board;

In addition, the Committee shall examine any other matters referred to it by the Board.

Share Buyback Committee

Membership:

The Board may appoint a Share Buyback Committee comprising two or more Board members all of whom shall be non-executive directors.

Objectives:

The Objective of the Committee is to:

1. Consider and authorise any share buyback activity contemplated by the Company; and
2. Ensure the Company complies with NZX Listing Rules in relation to any share buyback.

The responsibilities of the Committee include:

1. Authorisation of volume and price for any shares recommended by the Company to be bought back on market;
2. Ensure any purchases are compliant with trading parameters previously approved by the Board; and
3. Consider the position of TECT in relation to the shareholder resolution passed at the Company's Annual Meeting held on 28 July 2011.

In addition, the Committee shall examine any other matters referred to it by the Board.

<h2>Review of Board Performance</h2>

An annual review of the performance of the Board and individual Directors will be undertaken by the Chairman.