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**MCPHERSON'S LIMITED - BOARD CHARTER**

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**May 2020**

## **BOARD CHARTER**

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## BOARD CHARTER

### 1. Role of the Board

The role of the Board is to build sustainable value for its shareholders whilst respecting the interests of all its stakeholders. The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The role of the Board and its key responsibilities comprise the following:

- Demonstrating leadership;
- Defining the Company's purpose and setting its strategic objectives;
- Monitoring management's implementation of financial and other strategic objectives;
- Instilling and reinforcing a culture across the Company of acting lawfully, ethically and responsibly and in a manner consistent with its Statement of Values;
- Approving the Company's Statement of Values and Code of Conduct Policy at least annually;
- Appointing and where necessary removing the Chairman;
- Appointing and where necessary removing the Managing Director;
- Approving operating budgets, major capital expenditure, acquisitions and divestments;
- Monitoring capital management;
- Satisfying itself that the Company has in place an appropriate risk management framework (for both financial and non-financial risks) and setting the risk appetite within which the Board expects management to operate;
- Satisfying itself that an appropriate framework exists for relevant and accurate information to be reported by management to the Board;
- Overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- Whenever required, challenging management and holding it to account;
- Overseeing the Company's process for making timely and balanced disclosure of all material information reasonably expected to have a material effect on the price or value of the Company's securities;
- Monitoring compliance with legal, constitutional and ethical standards;
- Monitoring the effectiveness of the Company's governance practices;
- Ratifying the appointment of and where necessary the removal of the Chief Financial Officer, the Company Secretary and other senior executives;
- Monitoring and evaluating the performance of senior executives annually;

- Satisfying itself that the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite;
- Reviewing its skills matrix on a regular basis to make sure it covers the skills needed to address existing and emerging business, taxation (including income tax and other relevant taxes) and governance issues relevant to the Company;
- Reviewing succession planning and management development (including considerations of gender diversity);
- Assessing the Board's own performance and that of each Director annually; and
- Assessing the performance of each Board committee annually.

## **2. Delegation of Authority**

To provide clarity in delineating the roles of the Board and management, the Board has determined which powers it wishes to reserve for itself and those which are delegated to the Managing Director. The Managing Director has authority to make decisions on behalf of McPherson's within these delegated powers. These powers are contained in a separate document known as Retained and Delegated Authorities of the Board.

Position descriptions are in place to further clarify the roles and specific accountabilities of the Managing Director and Chief Financial Officer.

## **3. Role of the Chairman**

The Chairman must be a non-executive and an independent Director. In particular the Chairman must not be the same person as the Managing Director or CEO of the Company.

The Chairman is responsible for:

- The leadership of the Board;
- The efficient organisation and conduct of the Board's function;
- Approving Board meeting agendas and ensuring adequate time is available for discussion of all agenda items, including strategic issues;
- Providing briefing if required to all Directors in relation to issues arising from Board meetings;
- Facilitating the effective contribution of all Directors; and
- Promoting constructive and respectful relations between Board members and between the Board and management.

#### 4. **Composition of the Board**

The Board is to be structured to be effective and add value. This includes being of an appropriate size and to collectively have the skills, commitment and knowledge of the Company and the industry in which it operates to enable the Board to discharge its duties effectively and to add value.

In accordance with the Company's constitution the Board shall comprise not less than three Directors.

The majority of Directors must be independent Directors.

#### 5. **Independence of Directors**

The Board will assess the independence of Directors with reference to the definition of an independent Director contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, namely:

***"Independent Director:*** a Director who is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than those of an individual security holder or other party."

All facts and circumstances will be considered by the Board in determining the independence of a Director. It is not possible to provide prescriptively for all circumstances that will constitute a conflict of interest or a material relationship. Nor is it possible to pre-determine whether such circumstances will be concluded as likely to affect Directors' independent exercise of judgement.

Some examples of interests, positions and relationships that may raise issues about the independence of a Director are set out below. Where a Director falls into one or more of these examples, the Board will generally rule the Director not to be independent unless it is clear that the interest, position or relationship is not material and will not interfere with the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual securityholder or other party.

Examples of interests, positions and relationships that might raise issues about the independence of a Director include if the Director:

- is, or has been, employed in an executive capacity by the Company or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;

- is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its subsidiaries, or is an officer of, or otherwise associated with, someone with such a relationship;
- is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
- has close personal ties with any person who falls within any of the categories described above; or
- has been a Director of the Company for such a period that their independence from management and substantial holders may have been compromised.

The Board or the Nomination and Remuneration Committee will regularly assess the independence of each non-executive Director. The assessment should be made at least annually at or around the time that the Board or the Nomination and Remuneration Committee considers candidates for election or re-election to the Board. In the case of a change in a non-executive Director's interests, positions or relationships, the assessment should be made as soon as practicable after the Board or the Nomination and Remuneration Committee becomes aware of the change.

## **6. Committees of the Board**

The Board will establish committees to assist it in carrying out its role. Each committee shall be required to adopt a Charter reviewed and approved annually by the Board, which sets out its composition, responsibilities and other matters relating to its effective operation.

The Board has established the following committees:

- Nomination and Remuneration Committee; and
- Audit Risk Management and Compliance Committee.

Notwithstanding the key responsibilities of the Audit Risk Management and Compliance Committee regarding the integrity of the Company's corporate reports, the Board will, before it approves the financial statements for a financial period, receive from the Managing Director and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained, that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## **7. Director's Deed**

Each Director is required to enter into an agreement between the Director personally and the Company called a Director's Deed, which includes:

- The right to seek independent advice at the Company's expense, subject to prior approval of the Chairman or the Board. Approval would generally be granted whenever Directors judge such advice to be necessary for them to discharge their responsibilities as Directors;
- Access to Board Papers;
- A Company indemnity;
- The provision of Director's and Officer's Insurance;
- Ongoing confidentiality obligations;
- An obligation to disclose to the Board the Director's interests, circumstances which may give rise to a conflict of interest or be relevant to an assessment of the Director's independence; and
- An obligation to inform the Board before accepting any additional directorship or new role that could impact upon the time commitment expected of the Director or give rise to a conflict of interest, to enable any objections to be raised by the Board prior to any appointment.

On their appointment, Directors will also be provided with an engagement letter which includes:

- Information regarding the term of the appointment;
- The time commitment envisaged including the expectation regarding committee involvement;
- Remuneration including superannuation entitlements; and
- The requirement to comply with the Company's key policies including the Code of Conduct Policy, the Securities Trading Policy and the Ethical and Responsible Business Conduct Policy (which includes ethical, lawful, anti-bribery and anti-corruption behaviour provisions);

In the case of the Managing Director the above matters will be included in an employment agreement which will also include a position description, the person to whom they report, the circumstances in which their services may be terminated and any entitlements on termination.

## **8. Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Each Director is able to communicate directly with the Company Secretary and vice versa.

The role of the Company Secretary includes:

- Advising the Board and its committees on governance matters;

- Monitoring that Board and committee policy and procedures are followed;
- Co-ordinating the timely completion and despatch of Board and committee papers;
- Ensuring that the business considered at Board and committee meetings is accurately captured in the respective minutes; and
- Helping to organise and facilitate the induction and ongoing professional development of Directors.

**9. ASX Announcements and Communications Policy**

The Board has established a formal policy to ensure compliance with its obligations to ensure a well-informed market. This policy is contained within the ASX Announcements and Communications Policy and is designed to ensure that all employees are aware of the Company's continuous disclosure obligations and the procedures in place to ensure compliance with them..

**10. Ethical and Responsible Business Conduct Policy**

The Board has in place an Ethical and Responsible Business Conduct Policy, which is applicable to all Directors and employees.

**11. Securities Trading Policy**

Directors and employees must comply with the Board's Securities Trading Policy, which imposes restrictions on trading in the Company's shares and other securities including where there is undisclosed price sensitive information.

**12. Media Spokesperson**

The Managing Director will ordinarily be the chief spokesperson for the Company. The Board policy in relation to media is contained in the ASX Announcements and Communications Policy.

**13. External Auditor**

The Board should ensure that the external auditor attends the Annual General Meeting to be available to answer questions relating to the audit, the auditor's independence and the Auditors' Report.

**14. Board Performance Evaluation**

The Board will undertake an annual performance evaluation of the Board collectively and each Director individually on an annual basis. The Board should also ensure that each of the Board committees also conducts an annual evaluation of their performance, which is reported to the Board.

**15. Review of Board Charter**

The Board will review the Board Charter annually.

**16. Document Control**

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