

# HEARTLAND

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## GROUP

### BOARD CHARTER

## Purpose

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- 1 This charter sets out the role, composition, responsibilities and processes of the Board (**Board**) of Heartland Group Holdings Limited (**Heartland**).
- 2 The conduct of the Board is also governed by Heartland's constitution (**Constitution**).

## Role and Responsibilities

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- 3 The role of the Board is to provide leadership and strategic guidance for Heartland and effective oversight of management.
- 4 The Board must perform its role with the objective of building sustainable value for shareholders, while having due regard for other stakeholder interests.
- 5 In performing its role, the Board aspires to excellence in corporate governance, as appropriate for an NZSX listed company.
- 6 Specifically, the Board is responsible for:
  - (a) setting and approving the strategic direction, financial objectives and appropriate operating frameworks of Heartland and its subsidiaries and monitoring the implementation of those strategies and objectives and management's performance within those frameworks;
  - (b) approving Heartland's annual budgets (and any re-forecasts) and financial statements and monitoring financial performance against forecast and prior periods;
  - (c) approving and monitoring financial reporting and capital management of Heartland;
  - (d) monitoring the financial solvency of Heartland;
  - (e) approving timely and balanced communication to shareholders;
  - (f) approving the appointment and retention of the external auditor (including associated recommendations to shareholders for approval);
  - (g) considering and approving Heartland's overall risk appetite, having oversight over the framework for managing risk and ensuring that effective risk management procedures are in place and are being used;
  - (h) approving any matters in excess of any discretions that may have been delegated to the Board Committees, Chief Executive Officer (**CEO**) or other senior management from time to time;
  - (i) maintaining an ongoing dialogue with Heartland's external auditors, the Financial Markets Authority and other regulators, to provide them with reasonable assurance of compliance with all regulatory requirements;
  - (j) appointing and removing the CEO and overseeing succession plans for the CEO and senior management team;
  - (k) setting criteria for, and evaluating the performance of, the CEO and approving his or her remuneration;
  - (l) ensuring appropriate corporate governance structures are in place and promoting and authorising ethical and responsible decision-making by employees and directors;
  - (m) ensuring that the Board is and remains appropriately skilled to meet the changing needs of Heartland, and approving any new director appointments;

- (n) approving any internal policies that are required to be approved by the Heartland Board; and
- (o) providing oversight and monitoring of workplace health and safety issues relevant to Heartland and considering appropriate workplace health and safety reports and information.

## **Board Membership**

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### **Board composition**

- 7 The Board should comprise:
  - (a) directors with an appropriate range of skills and experience;
  - (b) directors who have a proper understanding of, and competence to deal with, current and emerging issues of the business; and
  - (c) directors who can effectively review and challenge the performance of management and exercise independent judgement.
- 8 The Board shall consist of at least five directors, and:
  - (a) the majority of the directors must be non-executive directors;
  - (b) at least half of the directors must be independent; and
  - (c) at least half of the independent directors must be ordinarily resident in New Zealand.
- 9 Directors will be appointed pursuant to formal letters of appointment setting out the key terms and conditions of the appointment to ensure that directors clearly understand the expectations of Heartland and the Board.
- 10 The Board has not adopted a tenure policy.

### **Independence**

- 11 The Board recognises that non-executive directors, with no other interests to hinder their judgement in the interests of Heartland, can contribute a particularly independent perspective to Board decisions.
- 12 A director is considered to be independent if the Board determines that the director is not an executive officer of Heartland and an *independent director*, for the purposes of the NZX Listing Rules.
- 13 The Board will conduct an annual assessment of the independence of each director to determine whether the director is independent in character and judgement. That assessment will be based on information provided to it by the director, and directors are expected to update that information as changes occur.
- 14 Membership of the Board shall be disclosed in the annual report including whether a director is independent. A change in a director's independence status will be disclosed to the market immediately.

## **Board Committees**

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- 15 The Board may from time to time establish committees of the Board (each a **Committee**) to assist it in carrying out its responsibilities. The Board has established the following standing Committees to consider certain issues and function in more detail:
- (a) an Audit and Risk Committee;
  - (b) a Corporate Governance, People, Remuneration and Nominations Committee; and
  - (c) a Corporate Finance Committee.
- 16 The Corporate Governance, People, Remuneration and Nominations Committee are responsible, among other things, for the identification and recommendation of candidates for appointment to the Board.
- 17 The Board may establish ad hoc committees from time to time to consider matters of special importance or to exercise the delegated authority of the Board.
- 18 The Board will determine the membership and composition of each Committee, having regard to workload, skills and experience.
- 19 Each Committee shall adopt its own charter to be approved by the Board, setting out matters relevant to its composition and responsibilities.

## **The Board and Management**

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- 20 While the day-to-day responsibility for the operation of the business is delegated to management, there are a number of matters which are required to be, or that in the interests of Heartland should be, decided upon only by the Board as a whole.

## **Role of the Chair**

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- 21 The Chair of the Board shall be appointed by the Board in accordance with the Constitution.
- 22 The Chair must be an independent non-executive director. The Board shall assess whether the Chair is independent.
- 23 The Chair must not also be the CEO of Heartland.
- 24 The role and responsibilities of the Chair include:
- (a) to provide leadership to the Board and to Heartland;
  - (b) to approve the appointment of the CEO's direct reports, on the recommendation of the Corporate Governance, People, Remuneration and Nominations Committee;
  - (c) to ensure the efficient organisation and conduct of the Board;
  - (d) to undertake an annual review of Board performance, and the performance of each Committee and of individual directors;
  - (e) to facilitate Board discussions to ensure core issues facing Heartland are addressed;
  - (f) to brief all directors in relation to issues arising at Board meetings;
  - (g) to facilitate the effective contribution and ongoing development of all directors;

- (h) to foster a constructive governance culture and promoting consultative and respectful relations between Board members and between the Board and management; and
- (i) to chair Board and shareholder meetings.

25 Should the Chair be absent from a meeting, the members of the Board present at the meeting have authority to choose one of their members to chair that particular meeting.

### **Responsibility of Individual Directors**

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26 Directors are expected to comply with their legal, statutory and fiduciary duties and obligations when discharging their responsibilities as directors. Broadly these include:

- (a) acting in good faith and in the best interests of Heartland as a whole;
- (b) acting with care, diligence and skill;
- (c) avoiding conflicts of interest wherever possible; and
- (d) refraining from making improper use of information gained through the position of director and from taking improper advantage of the position of director.

27 Directors are expected to support the letter and spirit of Board decisions.

28 Directors will keep Board information, discussions, deliberations and decisions which are not publicly known confidential.

### **Conflicts of Interest**

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29 Directors must:

- (a) disclose to the Board any actual or potential conflicts of interest which may exist or be thought to exist as soon as they become aware of the issue;
- (b) take any necessary and reasonable measures to try to resolve the conflict; and
- (c) comply with the Companies Act 1993 on disclosing interests and restrictions on voting.

30 If a conflict or potential conflict situation exists, it is expected that the conflicted director shall be absent from the meeting whilst the Board discusses the matter and shall not vote on the matter, unless the other directors who do not have a material personal interest in the matter have passed a resolution that states that those directors are satisfied that the interest should not disqualify the director from voting or being present.

31 Directors are expected to advise the Chair and General Counsel of any proposed Board or executive appointment to other companies as soon as practicable.

32 The General Counsel will maintain the interests register of Heartland and report new entries to the Board at the next Board meeting.

### **Access to Information and Independent Advice**

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33 Directors may access such information and seek such independent advice as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision making. Independent professional advice includes legal advice and the advice of accountants and other professional financial advisors on matters of law, accounting or other regulatory matters, but excludes advice concerning the personal interests of the director concerned (such as service

contracts with Heartland or disputes with Heartland). Independent professional advice shall only be sought with the Chair's consent, which shall not be unreasonably withheld or delayed. Any advice obtained under this procedure will be at Heartland's expense and will be made available to the other members of the Board.

34 Directors will be entitled to:

- (a) have access to members of management via the CEO at any time to request relevant and additional information or seek explanations; and
- (b) have access to internal and external auditors, without management present, to seek explanations of additional information.

## **Meetings and Procedures**

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35 The directors may meet together to attend to the business of Heartland in accordance with the Constitution.

36 A quorum for Board meetings is a simple majority of the directors, unless determined otherwise by an ordinary resolution of shareholders.

37 A meeting of the Board may be held either:

- (a) by a number of directors who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of audio, or audio and visual, communication by which all directors participating and constituting a quorum can simultaneously hear each other throughout the meeting; or
- (c) by a combination of the methods described in clauses (a) and (b) above.

38 Directors may pass or approve resolutions of the Board by written resolution in accordance with the Constitution.

39 The Board of directors will normally meet between 9 and 11 times a year.

40 Non-executive directors will regularly meet without executive directors or other management representatives present.

## **Reporting**

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41 Promptly following each Board meeting, draft minutes of the meeting will be provided to the Chair for his or her review. The draft minutes will be tabled at the next Board meeting for final review and approval, and will be signed by the Chair.

## **Accountability**

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42 The Board will review this charter annually to ensure it remains consistent with the Board's objectives and responsibilities. A copy of the charter will be available on Heartland's website.

## **Other Matters**

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43 A number of operational matters relating to the Board such as meetings of directors, fees, "fit and proper" requirements, powers and duties of directors, share qualification, notification of interests, appointment and retirement, alternative directors, delegation and appointment of committees and election of directors are governed by the Constitution or NZX Listing Rules and are not reproduced here.

**Version History**

<b>Version</b>	<b>Date</b>	<b>Approver</b>	<b>Amendments</b>
1.0	October 2018	Board	