

# PROPERTY FOR INDUSTRY LIMITED

## BOARD CHARTER

### 1. Governance at PFI

PFI's Board of Directors (the *Board*) is fully committed to high standards of corporate governance. Corporate governance at PFI encompasses PFI's decision-making structures and the mechanisms used to manage the organisation.

This Board Charter sets out the role, responsibilities, composition, structure and approach of the Board. The Board is legally responsible for the affairs and activities of PFI. This Charter provides guidance for effective oversight of PFI by the Board on behalf of its shareholders, employees and other material stakeholders. This Charter should be read in conjunction with PFI's constitution.

The Board has statutory responsibility for the affairs and activities of PFI and, sets the company's strategic direction. Day-to-day management of PFI is delegated to the executive team. The Board regularly monitors and reviews management's performance in carrying out their delegated duties.

The Board, through a set of formal policies and procedures:

- establishes a clear framework for oversight and management of PFI's operations and for defining the respective roles and responsibilities of the Board and management;
- structures itself to be effective in discharging its responsibilities and duties;
- sets standards of behaviour expected of the Company's managers and representatives;
- safeguards the integrity of the Company's financial reporting;
- ensures timely and balanced disclosure;
- respects and facilitates the rights of shareholders;
- recognises and manages risk;
- encourages board and management effectiveness;
- remunerates fairly and responsibly; and
- recognises the legitimate interests of all stakeholders.

### 2. The Role of the Board

The Board's primary focus is on the creation of long term shareholder wealth and ensuring the Company is run in accordance with appropriate management and corporate governance practices.

The Board has the responsibility to work to protect and enhance the value of the assets of PFI in the interests of PFI and its shareholders.

The Board establishes PFI's objectives, the major strategies of achieving these objectives, the overall policy framework within which the business of PFI is conducted and monitors management's performance with respect to these matters.

The legitimate interests of all stakeholders are taken into account in the decision making of the Board.

Specific responsibilities of the Board also include the following:

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- protecting and enhancing the value of the assets of the Company in the best interests of its shareholders and ensuring that the Company and its assets are being properly managed;
- oversight of the Company including its control and accountability procedures and systems;
- reviewing and approving Board and sub-Committee governance documents including charters and policies;
- oversight of the development and approval of corporate strategies and business plans, monitoring the implementation of those strategies and plans and assessing the adequacy of the Company's resources required to achieve the strategic objectives;
- approval of operating plans including annual business plans and budgets;
- monitoring actual results against the annual business plan, budget and strategic objectives and the integrity of reporting;
- appointment, performance and removal of the chairperson;
- setting the remuneration of the Directors;
- setting delegated authority limits for the executive team;
- approval and monitoring of capital expenditure, capital management initiatives and acquisitions and divestments above documented delegation limits;
- approval of capital structure (including gearing limits) and dividend policies;
- ensure effective and timely reporting to shareholders;
- ensuring that effective audit, risk management and compliance systems are in place to protect PFI's assets and to ensure the integrity of reporting while minimising the possibility of PFI operating beyond legal requirements or beyond acceptable risk parameters;
- approving interim accounts and reports, annual accounts and reports, other required reports and communications with shareholders and to the NZX and other regulatory authorities;
- overseeing PFI's compliance with health and safety in accordance with industry best practice; and
- maintaining corporate and Board values to ensure that PFI acts at the highest ethical standards and integrity in accordance with all legal and regulatory requirements (including health and safety laws) and otherwise in accordance with those management and governance best practices.

### **3. Composition of the Board**

The Constitution of PFI requires that the Board comprise between three and eight Directors. The Board is also required by the Constitution to have a minimum number of independent Directors. In addition at least two Directors must be ordinarily resident in New Zealand. The Board may appoint a Director as Managing Director.

Board membership will comprise a range of skills and experience in order that it has a proper understanding of and competence to deal with the current and emerging issues of the business, can effectively review and challenge the management's performance and can exercise independent judgement.

All Directors appointed by way of casual vacancy are required by the Company's constitution to be elected by the shareholders at the first annual meeting after their appointment. One third of the Directors shall retire from office at each annual shareholder meeting and may stand for re-election. The requirements and procedures governing the retirement, rotation and resignation of Directors are prescribed in the Constitution.

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The Board will on an annual basis review its composition and consider succession planning.

#### **4. Selection of Board Members**

The Board as a whole is responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders. The Board has a Nomination and Remuneration Committee whose role is to assist the Board to identify and recommend individuals for nomination to be members of the Board.

In considering potential Directors to recommend to shareholders, the Board seeks to identify candidates with appropriate skills, knowledge and experience to contribute to effective direction of the Company, who can exercise an independent and informed judgement on matters which come to the Board and who are free of any business or other relationship that may interfere with the exercise of that individual judgement.

Each newly appointed Director will receive a letter of appointment setting out the key terms and conditions of their appointment.

The Board seeks to ensure that new Directors:

- are appropriately introduced to PFI's business and management team;
- are acquainted with relevant industry knowledge; and
- receive all appropriate papers, policies and documents to enable them to effectively discharge their duties and add value to PFI.

#### **5. Chairperson**

A chairperson will be appointed from among the members (the "**Chairperson**"). Other than the Managing Director/Chief Executive Officer of PFI, any other Director may be appointed as the Chairperson.

The Chairperson will chair all meetings of the Board at which they are present.

The Chairperson provides leadership to the Board and must endeavour to ensure that the Board is well informed and effective. As the meeting's facilitator, the Chairperson should ensure that Directors have the opportunity to air differences, explore ideas, and generate a collective view necessary for the proper operation of the Board and the Company. The Chairperson will ensure that Board decisions provide clear guidance to management regarding expected outcomes.

The Chairperson is responsible for representing the Board to shareholders, ensuring the integrity and effectiveness of the governance processes of the Board and maintaining regular dialogue with management over all operational matters. The Chairperson will consult promptly with other Directors over any matter about which the Board should be aware.

#### **6. Company Secretary**

A Company Secretary will be appointed by the Board. The Company Secretary is responsible for the co-ordination of all Board business including meeting scheduling, agendas, distribution of Board papers, minutes, statutory filings, market disclosures and other communication with stock exchanges and regulatory bodies.

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## 7. **Board and Committee Meetings**

Proceedings of the Board and Committee meetings will be in accordance with the Constitution and otherwise as determined by the Chairperson.

The Chairperson is responsible, in consultation with the Managing Director/Chief Executive Officer and Company Secretary, for the conduct of all Board meetings. The agenda for each Board meeting will be determined by the Chair in consultation with the Managing Director/Chief Executive Officer and the Company Secretary, with each Director being entitled to suggest agenda items.

The standing items for each full meeting will include:

- approval of minutes of the previous meeting;
- matters arising;
- updating of the register of Directors' interests;
- an operational report from PFI's management;
- specific papers or proposals requiring Board approval as required by any delegations policy; and
- matters requiring public disclosure.

The Board will normally hold six regular meetings a year and will meet at other times as required. Written notice of Board meeting dates, times and locations will be prepared by the Company Secretary. Any Director or the Company Secretary at the request of the Board may convene a meeting of the Board by giving the required written notice.

The Board will annually or as it considers necessary:

- review and approve the Company's strategic plan;
- review the operational plans and implementation programme for achieving the strategic plan;
- approve the annual budget;
- approve the interim and annual financial statements;
- approve the interim and annual reports;
- consider and, if approved, declare the payment of any dividends;
- review the board composition, structure and succession;
- review the charters of, performance of, necessity for and composition of Board Committees;
- consider PFI's audit requirements following reports from the Audit and Risk Committee;
- review Directors' remuneration;
- review risk assessment policies and controls, insurance covers and compliance with legal and regulatory requirements;
- review the Company's major policies;
- review shareholder, customer and supplier relations;
- review donations and sponsorships; and
- settle the Board's work plan for the following 12 months.

Open and constructive discussion is encouraged at all Board and Committee meetings to ensure decisions are taken that benefit from the diverse range of skills, knowledge and experience of Directors.

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Each Director is expected to fully participate in meeting discussions, having read all Board and briefing papers provided. The papers will be provided sufficiently in advance of the meeting to allow adequate reading time. The content, presentation and delivery of papers to Directors for each meeting will be in accordance with guidelines agreed by the Board.

Minutes will be taken of all Board and Committee meetings. All discussions and the record of the meeting will remain confidential unless there is a specific direction from the Board or disclosure is required by law. Subject to any legal or regulatory requirements, the Board will decide the manner, timing and method of publication of its decisions.

Members of the executive team, including the General Manager and Chief Financial Officer are invited to attend Board meetings.

The Board may normally meet without members of the executive team at the commencement of each meeting. The independent Directors of the Board may meet periodically “in camera” without management, including the Managing Director/Chief Executive Officer, present.

## **8. Independence**

The Company’s Constitution sets out that at least two Directors or a third of the Board members (whichever is the greater) must be independent as assessed by the Board.

In addition to the requirements of the NZX Main Board Listing Rules, the Board considers a Director to be independent if they are free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement or could otherwise affect their ability to act in the best interests of the Company.

The Directors are required to keep the Board advised of any interests they have that could potentially conflict with the interests of PFI.

## **9. Conduct and Responsibilities of Directors**

The conduct of Directors will be consistent with their duties and responsibilities to PFI and its shareholders. In discharging their duties, the Directors have an overriding duty to conduct themselves in an honest, ethical and responsible manner.

Further, the Directors:

- must carry out their duties in a lawful manner and use reasonable endeavours to ensure that the company conducts its business in accordance with the law and of a high standard of commercial morality;
- should be diligent, attend board meetings and devote sufficient time and give proper attention to the matters before them. It is important that the Directors keep themselves familiar with the nature of the company’s activities and the environments including legal, political and social in which it operates;
- act in such a way that Board meetings and discussion promote focused debate within a supportive team atmosphere;
- must fully disclose all relationships they have with PFI and relevant private or other business interests to the Board in order that the Board may assess the Directors’ independence. This is an ongoing responsibility of each Director;
- must report any illegal or unethical behaviour of which they become aware to the Chairperson; and
- are expected to continuously educate themselves.

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Directors are expected to comply with their legal duties and obligations when discharging their responsibilities as Directors.

Broadly these include:

- acting in good faith and in the best interests of the Company;
- acting with care and diligence and for proper purpose;
- avoiding conflicts of interest or managing them appropriately, including filing declarations of interest with the Board secretary and keeping them current; and
- refraining from making improper use of information gained through the position of Director and from taking improper advantage of the position of Director.

Without limiting Directors' right to express their views freely in discussions/meetings with other Directors and to freely exercise their voting rights as Directors, once decisions have been made by the Board all Directors are expected to support the letter and spirit of those decisions outside the Board.

Directors will keep confidential all Board information, discussions, deliberations, and decisions that are not publicly known. Directors' obligations under this clause will continue after they have ceased to be Directors.

#### **10. Independent Advice**

Directors may access such information and seek such independent advice at the Company's expense as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision-making.

In particular, Directors are entitled to:

- request relevant additional information or seek explanations from management, via the Managing Director/Chief Executive Officer, General Manager or Chief Financial Officer at any time;
- have access to auditors without management present, to seek explanations or additional information; and
- with the Chairperson's consent seek independent professional advice at the Company's expense.

#### **11. Committees of the Board**

The Board has established an Audit and Risk Committee to handle particular analysis and work delegated by the Board. The Audit and Risk Committee shall be guided by the Audit and Risk Committee Charter.

The Board has also established a Nomination and Remuneration Committee to assist the Board in:

- identifying and recommending individuals for nomination to be members of the Board;
- reviewing and recommending changes to Directors' remuneration;
- assisting the Board to establish remuneration policies and practices, and
- setting the remuneration of PFI's Managing Director/Chief Executive Officer, Chief Financial Officer and Directors.

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Proceedings of the Committee meetings will be in accordance with the Constitution and otherwise as determined by the Chairperson.

The Board may also from time to time establish ad hoc Committees to review and analyse policies and strategies which are within their terms of reference. Such Committees are to examine proposals and where appropriate make recommendations to the full Board.

Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so. The Committees are comprised of Directors appointed by the Board and the chairpersons of such Committees are agreed by the members of the relevant Committee.

## **12. Remuneration**

Director's remuneration is paid in the form of Directors fees. The Directors have developed a Remuneration Policy which is designed to guide the Nomination and Remuneration Committee when making recommendations to the Board, and the Board when approving remuneration of the Directors.

## **13. Share Trading**

Directors of PFI are encouraged to own shares in PFI in their own name or through associated interests.

Directors are subject to limitations on their ability to buy and sell PFI shares by PFI's Financial Product Trading Policy, the NZX Main Board Listing Rules and the Financial Markets Conduct Act 2013. All changes in the shareholdings of Directors are reported to the Board and the NZX. The Directors' shareholdings and changes to those shareholdings are also noted in the annual report to shareholders.

## **14. Disclosure**

The Board must provide timely and balanced disclosure of all material matters concerning PFI to its shareholders and other stakeholders.

The Board must ensure that all Directors and employees are aware of and comply with PFI's reporting responsibilities and disclosure requirements under the NZX Main Board Listing Rules and in accordance with PFI's internal policies, this Board Charter and associated governance policies.

PFI maintains internal policies and procedures and monitors compliance with those policies and procedures to protect the confidentiality of its commercially sensitive information.

## **15. Accountability**

The Chairperson meets annually with Directors of the Company to discuss individual performance of Directors. The Board reviews its performance as a whole on an annual basis.

### **Delegations**

Delegated authorities are given to enable senior executives to make financial or other commitments for PFI to enable the efficient operation of the business.

Decisions reserved for the Board and delegations to senior executives are set out in a separate Delegations Policy. The policy is reviewed on an annual basis by the Board and the Board is responsible for monitoring delegations.

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Any matters outside those included in the Delegations Policy must be referred to the Board for approval.

**16. Board Relationship with Shareholders and Stakeholders**

The Board will ensure avenues are available for shareholder and stakeholder views to be communicated and heard.

The Board will monitor economic, political, regulatory, social and legal issues and other relevant matters that may influence or affect PFI's ability to achieve its strategy and business plans.

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