

# NZAI - Board Charter

## 1. Purpose

- 1.1 The Board Charter (**Charter**) of NZ Automotive Investments Limited (**NZAI**) sets out the role, responsibilities, composition and structure of NZAI's board of directors (**Directors**, and the **Board**).
- 1.2 In carrying out its activities, the Board is committed to its responsibility to act transparently, fairly, diligently and in accordance with the law in serving the interests of NZAI's shareholders, customers as well as NZAI and its subsidiaries (**NZAI Group**).

## 2. Role and responsibilities of the Board

- 2.1 The Board has ultimate responsibility for the strategic direction of the NZAI Group and for supervising the NZAI Group's management for the benefit of shareholders. The Board is accountable to shareholders for the performance of NZAI.
- 2.2 In performing its responsibilities, the Board should act at all times in a manner designed to create and grow sustainable value for shareholders and in accordance with the duties and obligations imposed on them by the constitution of NZAI (**Constitution**), which is expected to come into force on the date of NZAI's listing on the NZX Main Board, the NZX Listing Rules (**Listing Rules**) and by law.
- 2.3 In carrying out its principal function, the Board is specifically responsible for:
  - 2.3.1 providing overall governance for, leadership to, and setting the strategic direction and appropriate operating frameworks for the NZAI Group;
  - 2.3.2 supervising and monitoring the performance of management within those frameworks, including overseeing management's implementation and communication of the NZAI Group's strategic objectives and its performance generally;
  - 2.3.3 determining the high-level health and safety strategy for the NZAI Group and exercising due diligence to ensure that, at all times, NZAI is complying with its obligations under the Health and Safety at Work Act 2015, including taking reasonably practicable steps to:
    - (a) keep up to date with workplace health and safety issues;
    - (b) understand the work of NZAI;
    - (c) understand the risks that workers may face when working for NZAI;
    - (d) check that NZAI has appropriate resources and processes to eliminate or, if elimination is not reasonably practicable, minimise risks to health and safety, and that these are used;
    - (e) check that NZAI has processes in place to communicate and consider information about work health and safety, and to respond to that information;
    - (f) check that NZAI has processes in place to comply with any duties and requirements under health and safety law, and to ensure that such processes are implemented; and
    - (g) actively monitor management's implementation of NZAI's health and safety policies, processes and procedures;
  - 2.3.4 reviewing and approving NZAI's budgets, capital management, significant and/or material investments and projects, the monitoring of the return on those investments and projects and monitoring the financial solvency of NZAI;
  - 2.3.5 appointing and removing the chair of the Board (**Chair**) and the Chief Executive Officer (**CEO**) and overseeing succession plans for the CEO, Chief Financial Officer (**CFO**) and each of their director reports that make up the senior management team (**Senior Management Team**);

- 2.3.6 ensuring NZAI satisfies its continuous disclosure obligations under the Listing Rules, and that the market has available all relevant information required to make informed investment decisions, and assessments of NZAI's prospects, in accordance with NZAI's Continuous Disclosure Policy;
- 2.3.7 overseeing NZAI's process for making timely and balanced disclosure of all material information concerning NZAI that a reasonable person would expect to have a material impact on the price or value of NZAI's shares;
- 2.3.8 adopting and overseeing appropriate procedures to ensure compliance with all laws, government regulations, risk management and accounting standards (including the external audit);
- 2.3.9 seeing that NZAI has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;
- 2.3.10 reviewing performance, operations and compliance reports from the CEO and CFO, including reports and updates on strategic issues and risk management matters;
- 2.3.11 seeing NZAI has appropriate corporate governance structures in place including standards of ethical behaviour, as set out in the Code of Culture and Ethical Behaviour, and remuneration policies, as set out in the Remuneration Policy and the Remuneration Committee Charter, as well as monitoring the effectiveness of those governance practices;
- 2.3.12 setting measurable objectives for achieving diversity, in accordance with the Diversity and Inclusion Policy, and annually assessing the NZAI Group's progress in achieving these objectives;
- 2.3.13 requiring that the Board is and remains appropriately skilled to meet the changing needs of NZAI;
- 2.3.14 ensuring that, while NZAI is listed on the NZX Main Board:
  - (a) notices of any annual or special meetings of shareholders are posted to NZAI's website as soon as possible and at least 20 working days prior to the relevant meeting; and
  - (b) NZAI remains compliant with its obligations under the NZX Listing Rules;
- 2.3.15 attending to matters which cannot be delegated under law, particularly those matters set out in Schedule 2 to the Companies Act 1993 (**Companies Act**).

### 3. **Board composition**

- 3.1 The number of Directors will be governed by the Constitution, the Listing Rules and the Companies Act.
- 3.2 The Board will ensure it is of an effective composition, size and commitment to adequately discharge its responsibilities and duties in such a way that it:
  - 3.2.1 has a proper understanding of, and competence to deal with, the present and emerging issues of the NZAI Group;
  - 3.2.2 exercises independent judgement;
  - 3.2.3 encourages enhanced performance of NZAI; and
  - 3.2.4 can effectively review and challenge the performance of management.
- 3.3 The composition of the Board must at any time be a minimum of three Directors (other than alternate Directors):
  - 3.3.1 at least two of whom are ordinarily resident in New Zealand; and
  - 3.3.2 while NZAI is listed on the NZX Main Board, it shall have not less than the minimum number of independent directors prescribed by the Listing Rules.<sup>1</sup>

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<sup>1</sup> Recommendation 2.8 of the Code states that a majority of the board should be independent directors.

### *Independence*

- 3.4 A director is considered to be independent if the Board determines that the director is not an employee of the NZAI Group and does not have a disqualifying relationship. The assessment will be in accordance with the independence requirements of the Listing Rules and with regard to the NZX Corporate Governance Code or its current equivalent (as applicable) (**Code**). The basis for determining whether a director has a disqualifying relationship is also set out in a schedule to the Charter.
- 3.5 The Board will conduct an annual assessment of the independence of each of the Directors, based on information provided to it by the Directors, to determine whether each director is independent in character and judgement. The Directors acknowledge that a change in the status of a Director's independence must be disclosed promptly and without delay.
- 3.6 Membership of the Board shall be disclosed in the annual report including whether a Director is independent. Changes in Directors' independence will be disclosed to the market promptly and without delay.

### *Rotation*

- 3.7 All Directors appointed by way of a casual vacancy are required to be elected by the shareholders at the first annual meeting following their appointment.
- 3.8 Subject to paragraph 3.7 above, a director must not hold office (without re-election) past the third annual meeting following the director's appointment or three years, whichever is longer.<sup>2</sup>
- 3.9 There is no maximum term for remaining a Director however tenure will be considered as part of the Board's independence assessment of a director.

### *Nomination and appointment to the Board*

- 3.10 The Board will review from time to time the structure, size and composition of the Board and its committees to ensure an appropriate mix of skills, qualifications, knowledge, experience and background, and will recommend any proposed changes to the Board following any such review.
- 3.11 The full Board will have the opportunity to consider candidates for appointment to the Board. The Board will adopt a formal and transparent method for nominating and appointing Directors to the Board.
- 3.12 To be eligible for selection the candidates must demonstrate appropriate qualities and experience, and the Board must be satisfied that a candidate will commit the time needed to be fully effective in their role. Directors will be selected based on a range of factors including the perceived needs of the Board at the time having regard to the procedure established by the Board in respect of identifying suitably qualified director candidates. The Board will also consider a candidate's independence.<sup>3</sup>
- 3.13 When nominating or recommending a proposed director to the Board, the Board will ensure:
- 3.13.1 proper checks as to the proposed director's character, experience, education, criminal record and bankruptcy history are conducted; and
  - 3.13.2 key information about the proposed director is provided to shareholders of NZAI to assist their decision as to whether or not to elect or re-elect the candidate (e.g. biographical details, relevant skills and experience, any other material directorships they hold); and
  - 3.13.3 if the proposed director is standing for the first time, any material adverse information is revealed by the checks the entity has performed (e.g. information regarding the proposed director's character, criminal record or bankruptcy history); or

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<sup>2</sup> As required in Listing Rule 2.7.1.

<sup>3</sup> Rule 2.1.1(c) of the NZX Listing Rules states that at least two Directors must be Independent Directors and Recommendation 2.8 of the NZX Corporate Governance Code states that a majority of the Board should be Independent Directors.

3.13.4 if the proposed director is being re-elected, information about the term of office served by the Director is provided.

3.14 NZAI will enter into a written agreement with each newly appointed Director establishing the terms of their appointment.

#### *Succession*

3.15 Board succession should occur on a planned and on-going basis. As part of the succession process and planning:

3.15.1 there should be sufficient overlap in Director succession so that gaps in skills, experience, subject matter expertise or corporate memory do not occur, to the extent this is practicable;

3.15.2 any future skill gaps should be identified by following a Board evaluation process;

3.15.3 when considering a Director who holds, or has held, other directorships, past performance of the Director and those companies should be considered;

3.15.4 Directors should communicate their intentions to retire from the Board as soon as possible to assist succession; and

3.15.5 the Board shall:

- (a) establish and review the procedure by which suitably qualified potential director candidates are identified, including the criteria for determining suitability of potential directors in terms of balance of the Board, qualities, qualifications, skills and experience, and decide any necessary alterations;
- (b) identify and maintain a list of suitably qualified potential directors in respect of future Board vacancies;
- (c) in the event of any vacancies on the Board, including any casual vacancy, consider any person(s) nominated, either by Directors or Shareholders, and make decisions in respect of such nominations;
- (d) ensure there is an appropriate induction and education programme in place for all new Directors; and
- (e) review and implement any succession plans for the Directors, the Senior Management Team or the CEO.

#### *Induction and training*

3.16 The Board seeks to ensure, and enable, a new Director to effectively discharge his or her duties and add value to NZAI on their appointment to the Board and will ensure that any new Directors are:

3.16.1 appropriately introduced to the Senior Management Team and the business of the NZAI Group;

3.16.2 acquainted with relevant industry and market knowledge; and

3.16.3 receive copies of appropriate NZAI documents to enable new Directors to adequately perform their role.

3.17 The Board also seeks to ensure that there is appropriate training for all Directors to ensure that they are able to remain current with how to best discharge their duty as a Director.

## **4. Constitution**

4.1 To the extent that there is any inconsistency between the Charter and the Constitution, the Constitution will prevail.

## 5. **Chair**

5.1 The chair of the Board (**Chair**) shall not be the CEO or the chair of the Audit, Finance and Risk Management Committee.

5.2 The Chair shall be elected by the Board and confirmed at the first Board meeting following the annual meeting each year.

5.3 The Chair must be an independent Director.<sup>4</sup>

5.4 The Board supports the concept of the separation of the role of Chair from that of the CEO. The Chair's role is to manage the Board effectively, to provide leadership to the Board, and to interface with NZAI's CEO.

## 6. **Procedures**

### *Board meetings*

6.1 To enable appropriate review of Board materials Directors shall receive materials no less than five business days in advance of meetings for items to be acted upon, except in the case of special meetings for which the time period may be shorter due to the urgency of the matter under consideration.

6.2 It is intended that the Board meets at least six times per year. It is also intended that the Board will meet on occasion, as it considers appropriate, in session without management present.

6.3 The Board encourages the CEO to bring employees to Board meetings who can provide additional insight into the items being discussed because of their involvement in those matters. All Directors have access to employees to discuss issues or obtain further information on specific matters as they think appropriate.

6.4 The Board may from time to time allow observers and or advisors to attend Board meetings as it considers appropriate.

### *Board committees*

6.5 The Board has three committees, these are:

6.5.1 Audit, Finance and Risk Management Committee;

6.5.2 Remuneration Committee; and

6.5.3 Disclosure Committee.

6.6 The Board may, from time to time, establish other committees to assist in carrying out its responsibilities.

6.7 Notwithstanding the existence of these committees, all decisions will be made by the Board, unless the Board has specifically delegated decision making power to a sub-committee of the Board.

6.8 The Board shall adopt a charter or policy setting out the membership, authority, duties, responsibilities and reporting obligations of these committees and evaluating the performance or establishing a method for evaluating the performance of the committees.

6.9 A copy of each charter or policy is available on NZAI's website, <https://www.nzautomotiveinvestments.co.nz/>.

### *Conflicts of Interest*

6.10 Where conflicts of interest arise, Directors must ensure that the nature of the conflict is adequately disclosed and excuse themselves from discussions on the issue where the conflict of interest exists.

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<sup>4</sup> An "Independent Director" is defined in the Listing Rules as a Director who is not an Employee of the Issuer (other than in his/her capacity as Director of the Issuer) and who has no Disqualifying Relationship with the Issuer.

- 6.11 All disclosures of interest (including the nature and extent of any interest) are recorded in the interests register of NZAI by the company secretary and tabled at each Board meeting.
- 6.12 Such directors are not counted in the quorum and may not vote in respect of such matters, unless it is one in respect of which directors are expressly required by the Companies Act to sign a certificate or related to the grant of an indemnity under section 162.

#### *Trading in NZAI's shares*

- 6.13 Directors must refer to, and comply with, NZAI's Financial Products Dealing Policy and the Financial Markets Conduct Act 2013 or its current equivalent (as applicable).
- 6.14 All trading is subject to prior approval of the Chair (or in the Chair's case by the chair of the Audit, Finance and Risk Management Committee).

#### *Risk management and financial reporting*

- 6.15 The Board is responsible for:
  - 6.15.1 identifying the main risks to the NZAI Group's business;
  - 6.15.2 reviewing and approving the NZAI Group's systems of internal compliance and control, risk management (including the NZAI Group's risk register) and legal compliance, to determine the integrity and effectiveness of those systems; and
  - 6.15.3 approving and monitoring internal and external financial and other reporting, including reporting to shareholders, NZX and other stakeholders.

#### *Remuneration*

- 6.16 Remuneration decisions will be transparent, fair and reasonable and based on merit, where appropriate, and the Remuneration Policy outlines the principles which apply to the remuneration of Directors and the Senior Management Team of the NZAI Group.

#### *Company Secretary*

- 6.17 The company secretary of NZAI, who may also be the CFO, is directly accountable to the Board through the Chair on all matters to do with the proper functioning of and administrative support to the Board.

### **7. Power and authority**

#### *Delegation of authority to the CEO*

- 7.1 The formulation and implementation of policies and reporting procedures for management has been delegated to the CEO. The Board's delegation of the conduct of the day to day affairs of NZAI to the CEO is made within these terms. The Board monitors those delegations.

#### *Independent advice*

- 7.2 A committee or Director may retain and consult with external advisers (including legal) at NZAI's expense where the committee or individual deems it necessary to carry out its, his or her functions, with the approval of the Chair.
- 7.3 Non-executive directors are not employees of NZAI and are entitled to rely on NZAI's executives, in relation to matters within their responsibility and area of expertise and may assume the accuracy of information provided by such persons, so long as the Director is not aware of any reasonable grounds upon which such reliance or assumption may be inappropriate.
- 7.4 The Board may rely upon information provided by Board committees and committee members in relation to matters within that Board committee's delegated responsibility, provided that it has evaluated the information and is not aware of any reasonable basis upon which to question its accuracy.

**8. Evaluation of Board performance**

8.1 The Chair shall meet regularly with Directors to discuss and assess individual performance of the Directors. The Board will review and assess its performance as a whole on an annual basis and in such a manner as the Board deems appropriate.

**9. Director Indemnity and Insurance**

9.1 All Directors have the benefit of an indemnity as provided for in the Constitution and as permitted by the Companies Act.

9.2 NZAI has Directors' and Officers' liability insurance, the cost of which is met by NZAI.

9.3 The existence of the indemnities and insurance is disclosed in NZAI's interest register.

**10. Information**

10.1 Management should provide information of sufficient content, quality and timeliness to the Board to enable it to effectively discharge its duties.

**11. Publication**

11.1 The Charter is available on NZAI's website, <https://www.nzautomotiveinvestments.co.nz/>.

**12. Review**

12.1 The Charter will be reviewed annually by the Board.

Date adopted: 25 February 2021

## Schedule - Director Independence

A director can only be considered independent if he or she is not an employee of the NZAI Group and has no disqualifying relationship with NZAI with regard to the Code.

### 1. Disqualifying relationship

1.1 In determining whether a disqualifying relationship exists, the Board will have regards to any direct or indirect interest, position, association or relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, the director's capacity to:

1.1.1 bring an independent view to decisions in relation to NZAI;

1.1.2 act in the best interests of the NZAI; and

1.1.3 represent the interests of NZAI's financial product holders generally, having regard to the factors set out below that may impact director independence.

### 2. Factors to be considered when assessing independence

2.1 Factors that may impact a director's independence include:

2.1.1 being currently, or within the last three years, employed in an executive role by the NZAI Group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;

2.1.2 currently, or within the last 12 months, holding a senior role in a provider of material professional services to the NZAI Group;

2.1.3 a current, or within the last three years, material business relationship (e.g. as a supplier or customer) with the NZAI Group, or any officer of, or otherwise associated with a person in such a relationship;

2.1.4 a substantial product holder of the NZAI Group, or a senior manager of, or person otherwise associated with, a substantial product holder of the NZAI Group;

2.1.5 a current, or within the last three years, material contractual relationship with the NZAI Group, other than as a Director;

2.1.6 having close family ties with anyone in the categories listed above; and

2.1.7 having been a Director of NZAI for a length of time that may compromise independence.

2.2 In each case, the materiality of the interest, position, association or relationship needs to be assessed.