



## Board of Directors Charter

### Part 1: Interpretation

#### 1.1 In this Charter:

“Act” means the Corporations Act 2001;

“Board” means the board of directors of the Company;

“Business” means the business of the Company;

“Chairman” means the chairman of the Board and is used in a gender neutral sense;

“Company” means Premium Investors Limited;

“Company Goals” means the goals of the Company as set out in Part 2;

“Deputy Chairman” means the deputy chairman of the Board and is used in a gender neutral sense;

“Management” means the management personnel of the Company;

“Management Limitations” means the limitations on the actions of Management as set out in paragraph 4.3;

“Manager” means Treasury Group Investment Services Ltd as appointed under the Investment Management Agreement

“Secretary” means the Board secretary or the person normally exercising the functions of a Board secretary;

“Shareholders” means the shareholders of the Company.

### Part 2: Company Goals

#### 2.1 General

2.1.1 The long term objective of the company is to achieve a high long term real rate of return for its investors, comprised of both income and capital growth, while aiming to reduce the risk and quantum of capital loss over the shorter term.

- 2.1.2 The capital and resources of the Company will be allocated to those assets and activities which will enable it to achieve the Company Goals in a manner best serving the interests of the Shareholders as a whole.

### **Part 3: Board Governance Process**

#### **3.1 Role of the Board**

3.1.1 The role of the Board is to effectively represent, and promote the interest of, Shareholders with a view to adding long-term value to the Company's shares.

3.1.2 Having regard to its role the Board will direct, and supervise the management of, the Business and affairs of the Company including, in particular:

- ensuring that the Company Goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from Management in alignment with those stated in the prospectus);
- establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build the Business through innovation, initiative, technology, and the development of its business capital;
- monitoring the performance of Management and the Manager;
- approving the appointment of the Manager and its fees to be paid under the terms of the management agreement with the Manager.
- deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that the Company's financial statements are true and fair and otherwise conform with law;
- ensuring that the Company adheres to high standards of ethics and corporate behaviour; and
- ensuring that the Company has appropriate risk management/regulatory compliance policies in place.

3.1.3 In the normal course of events, day to day management of the Company will be in the hands of Management.

3.1.4 The Board will satisfy itself that the Company is achieving the Company Goals.

## **3.2 The Board's Relationship with Shareholders**

- 3.2.1 The Board will use its best endeavours to familiarise itself with issues of concern to Shareholders.
- 3.2.2 The Board will regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development of the Business or the interests of Shareholders and, if thought appropriate, will take outside expert advice on these matters.

## **3.3 Board Procedures**

- 3.3.1 The conduct of the members will be consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders. The Board will be disciplined in carrying out its role, with the emphasis on strategic issues and policy. Members will always act within any limitations imposed by the Board on its activities.
- 3.3.2 Members will use their best endeavours to attend Board meetings and to prepare thoroughly. Members are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table. Members unable to attend a meeting will advise the Chairman at an earlier date as possible and confirm in writing to the Secretary.
- 3.3.3 Board discussions will be open and constructive, recognising that genuinely-held differences of opinion can, in such circumstances, bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the board to the contrary, or disclosure is required by law.
- 3.3.4 Executive members attend Board meetings to discharge the Board responsibilities. At Board meetings, Board responsibilities supersede all executive responsibilities.
- 3.3.5 The Board has sole authority over its agenda and exercises this through the Chairman. Any member may, through the Chairman, request the addition of an item to the agenda. The agenda will be set by the Chairman in consultation with the Manager and the Secretary.
- 3.3.6 The Board will normally hold meetings in each three month period or otherwise as determined necessary by the board during the year and will hold additional meetings as the occasion requires. At each normal meeting the Company's interests register will be updated as necessary and the Board will consider as appropriate:
- an operational report from the Manager;
  - a report from the Chief Financial Officer;
  - reports on investment activities of the Company.

- specific proposals for capital expenditure and acquisitions; and
- major issues and opportunities for the Company.

In addition the Board will at intervals of generally not more than one year:

- review the Company Goals;
- review the strategies for achieving the Company Goals;
- approve the annual budget;
- approve the annual and half-yearly financial statements, reports to Shareholders and public announcements;
- approve the annual report;
- consider and, if appropriate, declare or recommend the payment of dividends;
- review the Board composition, structure and succession;
- review the Company's audit requirements;
- review the performance of, necessity for and composition of Board committees;
- undertake Board and individual member evaluations;
- review Members' remuneration;
- review the Manager's performance and fees;
- review risk assessment policies and controls including insurance covers and compliance with legal and regulatory requirements;
- review the Company's code of conduct and ethical standards;
- review Shareholder and supplier relations;
- review donations and sponsorships; and
- settle the following year's work plan.

3.3.7 Members are entitled to have access, at all reasonable times, to all relevant company information and to Management.

3.3.8 Members are expected to strictly observe the provision of the Act applicable to the use and confidentiality of company information.

3.3.9 In making policy the Board will not reach specific decisions unless it has considered the more general principles upon which they are founded, and in reaching other specific decisions the Board will consider the policies against which the decisions are made.

### **3.4 Chairman**

3.4.1 Each year the Board will appoint from among the Members a Chairman.

- 3.4.2 The Chairman will be a non-executive Member unless otherwise determined by the collective board.
- 3.4.3 The Chairman is responsible for representing the Board to Shareholders.
- 3.4.4 The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in this Part 3.
- 3.4.5 The Chairman is responsible for maintaining regular dialogue with the Manager over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him or her cause for major concern.
- 3.4.6 The Chairman will act as facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among Members is forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes.

### **3.5 Board Committees**

- 3.5.1 Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making.
- 3.5.2 Board committees will observe the same rules of conduct and procedure as the Board unless the Board determines otherwise.
- 3.5.3 Board committees will only speak or act for the Board when so authorised. The authority conferred on a Board committee will not derogate from the authority delegated to the Manager.
- 3.5.4 The board has one standing committees, namely the audit committee. Other committees are formed for specific purposes and disbanded as required. The purposes and membership of the standing committees are as follows:

The **Audit Committee** consists of at least two Members all of whom, whenever possible, must be non-executive. The committee provides a forum for the effective communication between the Board and the external auditors. The committee review the annual and half-yearly financial statements prior to their approval by the Board, the effectiveness of management information systems and systems of internal control, and the efficiency and effectiveness of the external audit functions.

### **3.6 Board Composition and Mix**

- 3.6.1 The composition of the Board will reflect the duties and responsibilities it is to discharge and perform as representative of the interests of Shareholders, and in setting the Company's strategy and seeing that it is implemented.

- 3.6.2 Generally, the qualifications for Board membership are the ability and intelligence to make sensible business decisions and recommendations, and entrepreneurial talent for contributing to the creation of Shareholder value, the ability to see the wider picture, the ability to ask the hard questions, preferably some experience in the industry sector, high ethical standards, sound practical sense, and a total commitment to furthering the interest of Shareholders and the achievement of Company Goals.
- 3.6.3 Non-executive Members will be active in areas which enable them to relate to the strategies of the Company and to make a meaningful contribution to the Board's deliberations. They will be independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
- 3.6.4 The size of the Board will be such that the common purpose, involvement, participation, harmony and sense of responsibility of the members are not jeopardised. It must be large enough to ensure a range of knowledge, views and experience. Generally, the number of members will be between four and six.
- 3.6.5 Subject to any limitations imposed by Shareholders, it is anticipated that non-executive members will hold office initially for three years following their first appointment (or, if appointed by the Board between annual meetings, from the date of the meeting next following the appointment), subject to any obligation to retire by rotation in accordance with the Company's constitution. It is not generally expected that a non-executive member would hold office for more than ten years or be nominated for more than three executive terms whichever is the longer. Only executive Members will be engaged on service contracts.
- 3.6.6 In the event of an executive Member's service contract with the Company terminating for whatever reason, the member is expected to resign from the Board, although the board may, if it considers appropriate, and subject to Shareholders' approval where necessary, re-appoint the member as a non-executive Member.

### **3.7 Nomination and Induction of New Members**

- 3.7.1 The board will make recommendations for the appointment and removal of directors to the board, taking into consideration the necessary and desirable competencies of board members. In so doing, the board will:
- identify the needs of the company.
  - develop criteria for the selection of directors to meet those needs.
  - determine the appropriate size and composition of the Board.
  - As appropriate, develop a succession plan for the Board and regularly review the plan.

- review the time required from a non executive director and whether directors of the Board are meeting this requirement.
  - evaluate the performance of the Board and key executives.
- 3.7.2 Genuine potential Members will be encouraged to carry out “due diligence” on the Company before accepting an appointment to the Board.
- 3.7.3 On their first appointment, non-executive Members will have the benefit of an induction programme aimed at deepening their understanding of the Company and the Business and the environment and markets in which the Company operates. As part of the programme Members will receive a folder of essential Board and Company information and will meet key management.
- 3.7.4 Members are expected to keep themselves abreast of changes and trends in the Business and in the Company’s environment and markets and to keep abreast of changes and trends in the economic, political, social and legal climate generally.

### **3.8 Members Remuneration**

- 3.8.1 The Board will determine the level of remuneration paid to members within any limitations imposed by Shareholders.
- 3.8.2 Non-executive members will be paid a basic fee as ordinary remuneration and will be paid, as additional remuneration, an extra fee as members of Board committees, and extra fee as chairman of a Board committee and an extra fee for any special service as a Member. The Chairman will be paid a level of fees appropriate to their office unless otherwise agreed. Remuneration will be reviewed annually by the Board after taking independent advice.
- 3.8.3 Executive Members will receive no fees but will be paid as employees of the Manager in accordance with their contracts of employment with the Manager.

### **3.9 Shareholdings by Members in the Company**

- 3.9.1 Members are encouraged to hold shares in the Company, recognising that this has the capacity, in many cases, to increase the focus of members on Company performance and share value and therefore be in the interests of all Shareholders.
- 3.9.2 When buying or selling shares Members must strictly observe the provisions of the Company’s constitution, the Company’s own internal rules and all relevant legislative or regulatory procedures, and should follow any procedural recommendations prescribed from time to time by Premium Investors Limited.

### **3.10 Provision of Business or Professional Services by Members**

3.10.1 Because a conflict of interest (actual or perceived) may be created, Members should not, generally, provide business or professional services of an ongoing nature to the Company.

3.10.2 Notwithstanding the general rule, the Company is at liberty to:

- for the purpose of a special assignment, engage the services of any Member having special expertise in the particular field; or
- engage the services of another member of a Member's organisation

so long as the terms of engagement are competitive, are clearly recorded and all legal requirements for disclosure of the engagement are properly disclosed.

### **3.11 Other Board Appointments**

3.11.1 Any Member is, while holding office, at liberty to accept other Board appointments so long as the appointment is not in conflict with the Business and does detrimentally affect the Member's performance as a Member. All other appointments must first be discussed with the Chairman before being accepted.

### **3.12 Independent Professional Advice**

3.12.1 Any Member is entitled to obtain independent professional advice relating to the affairs of the Company or to his or her other responsibilities as a Member.

3.12.2 If a Member considers such advice is necessary the member shall first discuss it with the Chairman and, having done so, shall be free to proceed.

3.12.3 Subject to the prior approval of the Chairman, the cost of the advice will be reimbursed by the Company but the member will ensure, so far as is practicable, that the cost is reasonable.

### **3.13 Board and Member Evaluations**

3.13.1 The Board will, each year, critically evaluate its own performance, and its own processes and procedures to ensure that they are not unduly complex and are designed to assist the Board in effectively fulfilling its role.

3.13.2 Each year, individual Members will be evaluated by a process whereby the Board determines questions to be asked of each Member about him or herself and about each other including the Chairman, each Member answers the questions in writing, and the responses are collected and collated by the Chairman who then discusses the results with each Member. The Chairman's own position is discussed with the rest of the Board.

### **3.14 Indemnities and Insurance**

3.14.1 The Company will provide members with, and will pay the premiums for, indemnity and insurance cover while acting in their capacities as members, to the fullest extent permitted by the Act.

### **3.15 The Secretary**

3.15.1 The appointment of the Secretary is made on the recommendation of the Manager and must be approved by the Board.

3.15.2 The Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

3.15.3 All Members, particularly the Chairman, have access to the advice of services of the Secretary for the purposes of the Board's affairs and the Business.

## **Part 4: Board – Management Relationship**

### **4.1 Role of the Manager**

4.1.1 The Board will link the Company's governance and management functions through the Manager.

4.1.2 Responsibility for operations is delegated to the Manager pursuant to the Management Agreement. The Board must agree to the levels of sub-delegation immediately below the Manager.

4.1.3 The Board will agree with the Manager to achieve specific results directed toward the Company Goals. This will usually take the form of an annual review of the Management Agreement under which the Manager is authorised to make any decision and take any action within the Management Limitations, directed at achieving the Company Goals.

4.1.4 Between Board meetings the Chairman maintains an informal link between the Board and the Manager and expects to be kept informed by the Manager on all important matters, and is available to the Manager to provide counsel and advice where appropriate.

4.1.5 Only decisions of the Board acting as a body are binding on the Manager. Decisions or instructions of individual members, officers or committees are not binding except in those instances where specific authorisation is given by the Board.

## **4.2 Accountability of the Manager to Board**

- 4.2.1 The Manager, in association with the Chairman, is accountable to the Board for the achievement of the Company Goals and the Manager is accountable for the observance of the Management Limitations.
- 4.2.2 At each of its normal three monthly meetings the Board should expect to receive from or through the Manager:
- the operational and other reports and proposals referred to in paragraph 3.3.6; and
  - such assurances as the Board considers necessary to confirm that the Management Limitations are being observed.

## **4.3 Management Limitations**

- 4.3.1 The Manager is expected to act within all specific authorities delegated to it by the Board.
- 4.3.2 The Manager is expected to not cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics.
- 4.3.3 In allocating the capital and resources of the Company the Manager is expected to adhere to the Company Goals.
- 4.3.4 The Manager is expected to not cause or permit any action without taking into account the health, safety, environmental and political consequences and their effect on long-term shareholder value.
- 4.3.5 In financing the Company the Manager is expected to not cause or permit any action that is likely to result in the Company becoming financially embarrassed.
- 4.3.6 The assets of the Company are expected to be adequately maintained and protected, and not unnecessarily placed at risk. In particular, the Company must be operated with a comprehensive system of internal control, and assets or funds must not be received, processed or disbursed without controls that, as a minimum, are sufficient to meet standards reasonably acceptable to the Company's external auditors. One of the tools used as a framework is an asset management plan for both on and off balance sheet assets. In managing the risks of the Company, the Manager is expected to not cause or permit anyone to substitute their own risk preferences for those of the Shareholders as a whole.
- 4.3.7 The Manager is expected to not permit employees and other parties working for the Company to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.
- 4.3.8 The Manager is expected to not cause or permit payments to be made or rewards given unless they are in return for contributions towards the purposes of the Business and are proportional to the extent that the contribution in question has furthered such purposes.