Board charter

– Adapted from Institute of Directors sample board charter

Argosy

Part 1 – Interpretation

1.1 In this charter:

a. **Board** means the board of directors of the company

b. **Business** means the business of the company

c. **CEO** means the chief executive officer of the company

d. **CFO** means the chief financial officer of the company

e. **Chair** means the chair of the board

f. **Companies Act** means the Companies Act 1993 (as amended from time to time)

g. **Company** means Argosy Property Limited

h. **Company goals** means the goals of the company described in part 2

i. **Deputy chair** means the deputy chair of the board if one has been appointed

j. **Directors** means directors of the board

k. **FMCA** means the Financial Markets Conduct Act 2013 (as amended from time to time)

l. **Management** means the management personnel of the company

m. **Management limitations** means the limitations on the actions of management as set out in Part 4

n. **NZSX listing rules** means the NZX Limited Main Board/Debt Market Listing Rules, and any replacement, as amended from time to time

o. **Shareholders** means the shareholders of the company.

Part 2 – Company goals

GENERAL

2.1 The purpose of the company is to be the preferred property investment choice, delivering sustainable and attractive returns to its shareholders through the execution of a clearly defined investment strategy, the development of long-term tenant relationships and skilled asset management.

Part 3 – Board governance process

ROLE OF THE BOARD

3.1 The role of the board is to act in the best interests of the company thereby effectively representing, and promoting the interests of, shareholders with a view to adding long-term value to the company's shares. Having regard to its role the board will direct, and supervise the management of, the business and affairs of the company including, in particular:

a. ensuring that the company goals are clearly established, and strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management)

b. overseeing the operation of the company's business and ensuring that it is being managed appropriately

c. reviewing and approving the company's budgets, business plans, dividend policy and financial forecasts, and monitoring the management of the company's capital, including the progress of any significant capital expenditure, acquisitions or divestments

d. monitoring the financial performance of the company

e. monitoring the integrity of reporting and establishing procedures to ensure the timely and accurate reporting of financial results which comply with generally accepted accounting practice, give a true and fair view, and are consistent with all legal and regulatory requirements

f. implementing, reviewing and monitoring effective audit, risk management and compliance systems to protect the company's assets and minimise the possibility of the company operating outside legal requirements or beyond the company's risk appetite

g. monitoring compliance with the company's continuous disclosure obligations under the NZX Listing Rules

h. appointing the CEO and CFO, setting the terms of the CEO and CFO's employment contracts and, where necessary, terminating the CEO's or CFO's employment with the company

i. delegating the day to day operation of the company to the CEO subject to specific limits of authority

j. approving and regularly reviewing the Company's policies, this charter, board committee charters and delegated authority levels

k. establishing, reviewing and monitoring appropriate systems and processes to formalise the company's commitment to its business being conducted in an honest, ethical, responsible and safe manner

l. establishing, reviewing and monitoring a health and safety vision which aspires to zero harm for the company's workers and other people who may be affected by the company's operations, regularly reviewing actual performance against the vision, establishing health and safety principles, understanding the company's operations and risks and providing resources and establishing a framework and strategy to manage health and safety risks

m. setting and reviewing the company's risk appetite, assessing business opportunities and risks and monitoring the company's control and accountability systems

n. ensuring the company has appropriate risk management and regulatory compliance policies in place

o. establishing, reviewing and monitoring processes to identify risks, and developing appropriate strategies to deal with these risks

3.2 In the normal course of events, day-to-day management of the company will be in the hands of management.

3.3 The board will satisfy itself that the company is achieving the company goals.

THE BOARD'S RELATIONSHIP WITH SHAREHOLDERS

3.4 The board will use all reasonable endeavours to familiarise itself with issues of concern to shareholders. 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.

THE BOARD'S RELATIONSHIP WITH OTHER STAKEHOLDERS

3.5 The board will use all reasonable endeavours to familiarise itself with issues of concern to all relevant stakeholders. The board recognises that the company's long-term survival and prosperity are closely intertwined with the environments and markets within which it operates and the extent to which the company is seen as a responsible corporate citizen.

BOARD PROCEDURES

3.6 The conduct of directors will be consistent with their duties and responsibilities to the company (including the duty to act in good faith and in what the director believes to be the best interests of the company) and, consequently, to shareholders. The board will be disciplined in carrying out its role, with the emphasis on strategic issues and policy. Directors will always act within any limitations imposed by the board on its activities.

3.7 Directors will use their best endeavours to attend board meetings and to prepare thoroughly. Papers will be taken as read and summarised at meetings so that discussion is appropriately focused on the issues requiring board input and attention. Directors 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. Directors unable to attend a meeting will advise the chair at the earliest date possible and confirm in writing to the company secretary.

3.8 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 chair 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.

3.9 A quorum for consideration of any matter at a meeting of the Board shall be three directors present and entitled to vote on the matter (excluding directors who cannot be included in the quorum because they are interested in the matter), or such greater number as the board may determine from time to time. The board will usually meet with the CEO, CFO and the general counsel and company secretary in attendance. However the board may ask anyone in attendance to leave at any time and may meet on an "in camera" basis without management in attendance when it considers this desirable.

3.10 Subject to legal or regulatory requirements, including continuous disclosure under the NZSX listing rules, the Board will decide the manner and timing of the publication of its decisions.

3.11 The board has sole authority over its agenda and exercises this through the chair. Any director may, through the chair, request the addition of an item to the agenda. The agenda will be set by the chair in consultation with the CEO and the company secretary.

3.12 The board will normally hold around eight scheduled meetings a year, and additional meetings as the occasion requires. At each scheduled meeting the company's interests register will be updated as necessary and the board will consider:

a. an operational report from the CEO
b. a report from the Chief Financial Officer
c. reports on the company's property portfolios
d. specific proposals for capital expenditure, acquisitions and disposals
e. major issues and opportunities for the company.

The board will at least annually:

f. review the company goals
g. review the strategies and operating plans for achieving the company goals
h. approve the annual budget
i. approve the annual and half-yearly financial statements, reports to shareholders and public announcements
j. approve the annual report and interim report
k. review the company's dividend policy
l. review the board composition, structure and succession
m. review the company's audit requirements
n. undertake board and individual director evaluations
o. review directors' remuneration
p. review the CEO and CFO's performance and remuneration
q. settle the following year's board work plan.

The Board will at least biennially:

r. review the performance of, necessity for and composition of board committees
s. review remuneration policies and practices in general including superannuation and incentive schemes for management
t. review controls including risk appetite, risk register, insurance covers and compliance with legal and regulatory requirements
u. review the Company's governance policies, including:
    i. code of conduct and ethics
    ii. conflicts of interest
    iii. diversity
    iv. insider trading and restricted persons trading
    v. continuous disclosure
    vi. auditor independence
    vii. risk management
    viii. treasury
    ix. procurement.
v. review this Charter and Committee Constitutions
w. review shareholder, customer and supplier relations
x. review donations and sponsorships.

3.13 Directors are entitled to have access, at all reasonable times, to all relevant company information and to management.

3.14 To enable appropriate review of board materials, directors will generally receive materials in advance of meetings for items to be acted upon, except in the case of urgent proposals or special meetings for which the time period may be shorter due to the urgency of the matter to be considered.

3.15 Board proceedings are governed by the Company's constitution.

3.16 The Board will ensure that minutes are kept of all proceedings of the Board.

3.17 Directors are expected to strictly observe the provisions of the Companies Act applicable to the use and confidentiality of company information.

3.18 This Charter will be reviewed biennially or as necessary.

CHAIR

3.19 The chair will be an independent director. The chair is responsible for:

a. representing the board to shareholders
b. ensuring the integrity and effectiveness of the governance process of the board as set out in this Part 3
c. maintaining regular dialogue with the CEO 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.

3.20 The chair will act as facilitator at meetings of the board to ensure that no director, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among directors is forthcoming. The chair will ensure that discussions result in logical and understandable outcomes.

BOARD COMMITTEES

3.21 Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making. The board will ensure that each committee has access to adequate resources (both internally and externally) to allow the committee to perform its functions effectively and efficiently. Board committees will observe the same rules of conduct and procedure as the board unless the board determines otherwise or as set out in the committee's charter. 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 CEO.

3.22 The board has two standing committees, namely the audit and risk committee and the remuneration committee. Each standing committee has its own charter. The board will annually review and evaluate the performance of each standing committee to ensure it is operating consistently with its constitution and delegations. Other committees may be formed for specific purposes, and disbanded, as required.

The purposes and membership of the standing committees are as follows:

3.23 The audit and risk committee shall have a minimum of three directors, the majority of members must be independent and at least one director must have an accounting or financial background. The committee provides a forum for the effective communication between the board and the external and internal auditors. The committee shall have the responsibilities of an audit committee set out in the NZSX listing rules, and its responsibilities shall include all matters relating to risk management, reviewing the annual and half-yearly financial statements prior to their approval by the board, monitoring the effectiveness of management information systems and systems of internal control, and monitoring the efficiency and effectiveness of the external and internal audit functions. The chair of the board should not be the chair of the audit committee.

3.24 The remuneration committee consists of three non-executive directors. The committee reviews the remuneration packages of all members and senior management annually and makes recommendations to the board. The packages which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses), superannuation, and entitlements upon retirement and termination, are reviewed with due regard to performance, retention and other relevant factors including market relativity.

BOARD COMPOSITION AND MIX

3.25 The composition of the board will reflect the duties and responsibilities to the company 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. Generally, the qualifications for board membership are the ability and intelligence to make sensible business decisions and recommendations, an 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 interests of the company and its shareholders and the achievement of the company goals. Directors 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.

3.26 Non-executive directors 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. The size of the board will be such that the common purpose, involvement, participation, harmony and sense of responsibility of the directors are not jeopardised. It must be large enough to ensure a range of knowledge, views and experience.

3.27 The company's constitution provides that the board must have a minimum of three directors, and that at least two shall be ordinarily resident in New Zealand. It shall have not less than the minimum number of independent directors prescribed by the NZSX listing rules. All directors appointed by way of casual vacancy are required by the company's constitution to be elected by shareholders at the first annual meeting after their appointment. At least one third of directors, or, if their number is not a multiple of three, then the number nearest to one third, shall retire from office at the annual meeting each year, but shall be eligible for re-election at that meeting. In each year the directors who retire are those who have been longest in office since their last election. There is no maximum term for which a person can remain a director.

3.28 Only executive directors (if appointed) may be engaged on service contracts. The rotation requirements above do not apply to any one director appointed as an executive director. In the event of an executive director's service contract with the company terminating for whatever reason, the director is expected to resign from the board, although the board may, if it considers it appropriate, and subject to shareholders' approval where necessary, reappoint the director as a non-executive director.

INDEPENDENCE

3.29 In order for a director to be considered independent, the board must determine that the director does not have a disqualifying relationship (other than solely as a consequence of being a director) as defined in the NZSX listing rules. The board will review any determination it makes as to a director's independence on becoming aware of any information that indicates that the director may have a disqualifying relationship or a material relationship with the company. The board will disclose which directors are considered to be independent in its annual report.

INDUCTION OF NEW DIRECTORS

3.30 Genuine potential directors are encouraged to carry out due diligence on the company before accepting an appointment to the board. The nomination of prospective directors to be appointed by way of casual vacancy is considered by all directors. All directors will have the opportunity to meet with potential new directors prior to their appointment. On their first appointment, non-executive directors 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, new directors will receive a folder of essential board and company information and will meet key management.

DIRECTORS' REMUNERATION AND CORPORATE OPPORTUNITIES

3.31 The board will determine the level of remuneration paid to directors within the total director remuneration pool approved by shareholders. Non-executive directors will be paid a basic fee as ordinary remuneration and will be paid, as additional remuneration, an extra fee as directors of board committees, an extra fee as chair of a board committee and an extra fee for any special service as a director. The chair and deputy chair will (if appointed) be paid a level of fees appropriate to their office. For the chair this will generally be 200 per cent of the basic fees paid to the other non-executive directors. Remuneration will be reviewed annually by the board after taking independent advice. Executive directors will receive no fees but will be paid as employees of the company in accordance with their contracts of employment with the company.

3.32 Directors will not accept gifts or personal benefits of any value from any external party if it would or could be perceived that this could compromise or influence any decision of the company and under no circumstances will they accept cash gifts.

3.33 Directors will not use for personal gain opportunities that are discovered through company information disclosed to them by virtue of their position as a director.

REIMBURSEMENT OF DIRECTORS' EXPENSES

3.34 The company will meet the reasonable expenses of directors, which include the following: travel directly associated with attendance at board and committee meetings, board trips and board business; costs associated with attendance at functions where the director is representing the company; travel costs directly associated with a directors' spouse's/partner's attendance at functions where their attendance is considered appropriate to represent the company's interests; expenses directly associated with the performance of the director's role; and education where approved by the chair. Directors' expenses must be approved by the chair. The chair's expenses must be approved by the chair of the audit and risk committee.

SHAREHOLDINGS BY DIRECTORS IN THE COMPANY

3.35 Directors are encouraged to hold shares in the company, recognising that this has the capacity, in many cases, to increase the focus of directors on company performance and share value and therefore be in the interests of all shareholders.

3.36 Directors are subject to limitations on their ability to deal in the company's securities under the company's Insider Trading Policy and the FMCA. The limitations include the requirements that:

a. directors may not deal in the company's securities, or the securities of another issuer, while in possession of inside information about the relevant entity, or during the blackout periods before the release of the company's interim and full year results;

b. unless an exception in the FMCA applies, directors must obtain consent from the chair before each trade. Each trade must be carried out in accordance with the company's insider trading policy; and

c. all changes in any interest held by a director in the company's securities must be reported to the company secretary and NZX Limited.

DISCLOSURE OF INTEREST AND CONFLICTS OF INTEREST

3.37 Each director is required to disclose all actual or potential conflicts of interest, including all relationships he or she has with the company (and its subsidiary companies) and relevant private or other business interests to the board (which will include any relationships with competitors or third party suppliers which could be perceived as creating a conflict), in order that the board may assess the director's independence. All disclosures of interest (including the nature and extent of any interest) will be recorded in the company's interest register by the company secretary. It is expected that directors will be sensitive to actual and perceived conflicts of interest that may arise and they are expected to give ongoing consideration to this issue.

3.38 Directors are expected to minimise the potential for conflicts of interest by restricting their involvement in businesses that could lead to a conflict of interest. Where conflicts of interest occur, conflicted directors must excuse themselves from discussions in respect of those interests and must not exercise their right to vote in such matters (except to the extent required by the Companies Act and the NZSX listing rules).

PROVISION OF BUSINESS OR PROFESSIONAL SERVICES BY DIRECTORS

3.39 Because a conflict of interest (actual or perceived) may be created, directors should not, generally, provide business or professional services of an ongoing nature to the company. Notwithstanding the general rule, the company is at liberty to for the purpose of a special assignment, engage the services of any director having special expertise in the particular field or engage the services of another director of a director's organisation, so long as the terms of engagement are competitive, clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

OTHER BOARD APPOINTMENTS

3.40 Any director 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 not detrimentally affect the director's performance as a director. All other appointments must first be discussed with the chair before being accepted.

RELIANCE ON ADVICE

3.41 The board is expected to exercise a high standard of commercial judgement. In doing so, directors are entitled to rely on the honesty, integrity and advice of management, and external advisors and auditors, and board committees, but must not substitute reliance on advice for the board's own due consideration of the issues presented to it for review and approval.

3.42 Any director is entitled to obtain independent professional advice relating to the affairs of the company or to his or her other responsibilities as a director. If a director considers such advice is necessary the director shall first discuss it with the chair and, having done so, shall be free to proceed. Subject to the prior approval of the chair, the cost of the advice will be reimbursed by the company but the director will ensure, so far as is practicable, that the cost is reasonable.

Directors (as directors of the board and as directors of any board committees) are entitled to rely on management in relation to matters within their responsibility and area of expertise, and may assume the accuracy of information provided by management, so long as the director acts in good faith, makes proper inquiry where the need for this is indicated by the circumstances, brings an enquiring mind and their own knowledge of the company to evaluate the information and advice provided, and the director has no knowledge that any such reliance or assumption may be inappropriate.

3.43 The board may rely on information provided by a board committee (or its directors) in relation to matters within that committee's delegated responsibility (subject to the provisos which apply to reliance on management).

BOARD AND DIRECTOR EVALUATIONS

3.44 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. Each year, individual directors will be evaluated by a process whereby the board determines questions to be asked of each director about him or herself and about each other including the chair, each director answers the questions in writing, and the responses are collected and collated by the chair who then discusses the results with each director. The chair's own position is discussed with the chair of the audit committee and/or the rest of the board.

INDEMNITIES AND INSURANCE

3.45 Subject to the company's constitution the company will provide directors with, and will pay the premiums for, indemnity and insurance cover while acting in their capacities as directors, to the fullest extent permitted by the Companies Act.

Part 4 Board – Management relationship

POSITION OF CEO

4.1 The board will link the company's governance and management functions through the CEO. All board authority conferred on management is delegated through the CEO so that the authority and accountability of management is considered to be the authority and accountability of the CEO so far as the board is concerned. The board must agree to the levels of sub-delegation immediately below the CEO. The board will agree specific results required of the CEO to meet company goals. This will usually take the form of an annual performance contract under which the CEO is authorised to make any decision and take any action within the management limitations, directed at achieving the company goals.

4.2 Between board meetings the chair maintains an informal link between the board and the CEO, expects to be kept informed by the CEO on all important matters, and is available to the CEO to provide counsel and advice where appropriate. Only decisions of the board acting as a body are binding on the CEO. Decisions or instructions of individual directors, offcers or committees should not be given to the CEO and are not binding in any event except in those instances where specific authorisation is given by the board to the particular directors issuing instructions.

REMUNERATION OF CEO

4.3 The CEO's remuneration is paid in the form of a salary. The CEO may also be entitled to participate in incentive schemes offered by the company.

ACCOUNTABILITY OF CEO TO BOARD

4.4 The CEO, in association with the chair, is accountable to the Board for the achievement of the company goals and the CEO is accountable for the observance of the management limitations. At each of its normal scheduled meetings the board should expect to receive from or through the CEO:

- the operational and other reports and proposals referred to above
- such assurances as the board considers necessary to confirm that the management limitations are being observed.

MANAGEMENT LIMITATIONS

4.5 The CEO is expected to act within the authorities delegated to him or her by the board. The CEO is expected to not cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics. In allocating the capital and resources of the company the CEO is expected to be mindful of the company goals. The CEO 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.

4.6 In financing the company, the CEO is expected to not cause or permit any action that is likely to result in the company becoming legally, politically or financially embarrassed. 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 suffcient to meet standards acceptable to the company's external auditors.

4.7 In managing the risks of the company, the CEO is expected to not cause or permit anyone to substitute their own risk preferences for those of the board as a whole (for example, as expressed through a board approved risk appetite statement or risk management framework). The CEO 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.