

NZPM CO-OPERATIVE BOARD OF DIRECTORS CHARTER

This charter must be read in conjunction with the NZPM Co-operative's company constitution. If there are any inconsistencies between this charter and the constitution, the constitution shall prevail.

Part 1 – Interpretation

In this charter:

- Act means the Companies Act 1993
- Board means the board of directors of the company
- Business means the business of the company
- Chair means the chair of the board
- CEO means the Chief Executive Officer
- CFO means the Chief Financial Officer
- Company means NZPM Co-operative Limited
- Company goals means the goals of the company as set out in part 2
- Deputy chair means the deputy chair of the board
- Executive Management means the CEO and the CFO
- Management means the management personnel of the company
- Management limitations means the limitations on the actions of management as set out in Part 4
- Members means members of the board
- Secretary means the board secretary or the person exercising the functions of a board secretary which is normally the Chief Financial Officer
- Shareholders means the shareholders of the company.

Part 2 – Company goals

General

The company's Statement of Purpose is:

Delivering Sustainable Shareholder Value

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

Role of the board

The role of the board is to effectively represent, and promote the interests of, shareholders with a view to adding long-term value to the company's shares.

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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 strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management);
- establishing policies for strengthening the performance of the company including ensuring that management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;
- monitoring the performance of management;
- appointing the CEO and the CFO, setting the terms of their employment contracts and, where necessary, terminating their employment with the company;
- 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 the company's financial statements are true and fair and otherwise conform with law;
- ensuring the company adheres to high standards of ethics and corporate behaviour;
- ensuring the company meets its social responsibility commitments, and
- ensuring the company has appropriate risk management/ regulatory compliance policies in place.

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

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

The board's relationship with shareholders

The board will use its best 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

The board will use its best 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.

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Board procedures

The conduct of 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.

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 chair at the earliest date possible and confirm in writing to the secretary.

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.

Subject to legal or regulatory requirements the board will decide the manner and timing of the publication of its decisions. Executive members attend board meetings to discharge their board responsibilities. At board meetings, board responsibilities supersede all executive responsibilities.

The board has sole authority over its agenda and exercises this through the chair. Any member 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 secretary.

The board will normally hold meetings in each month of the year except December 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:

- an operational report from the CEO;
- a health and safety report;
- a financial report from the CFO;
- specific proposals for capital expenditure and acquisitions;
- significant issues and opportunities for the company.

In addition the board will, at intervals of not more than one year:

- review the company goals;
- review the strategies and operating plans for achieving the company goals;
- approve the annual budget;

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- 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 CEO and the CFO's performance and remuneration;
- review remuneration policies and practices in general including superannuation and incentive schemes for management;
- 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, customer and supplier relations;
- review donations and sponsorships; and
- settle the following year's board work plan.

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

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

Chair and deputy chair

Each year the board will appoint from among the members a chair and (if it thinks fit) a deputy chair. Both the chair and deputy chair will be non-executive members. The deputy chair will deputise for the chair in his or her absence or at his or her request.

The chair is responsible for:

- representing the board to shareholders;
- ensuring the integrity and effectiveness of the governance process of the board as set out in this section (Part 3); and

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- maintaining regular dialogue with the CEO and the CFO 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.

The chair (or in their absence the deputy chair, or in their absence a director chosen to act as chairperson) 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 chair will ensure that discussions result in logical and understandable outcomes.

Board committees

Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making. Board committees will observe the same rules of conduct and procedure as the board unless the board determines otherwise. 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 and the CFO.

The board has five standing committees, namely the Audit & Risk, Remuneration, Compliance, Health & Safety and Membership committees. Other committees are formed for specific purposes and disbanded as required.

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

The **audit and risk committee** consists of at least three directors all of whom, whenever possible, must be non-executive directors. The purpose of the ARC is to provide a forum for the effective communication between the Board and the external and internal auditors. The ARC also provides advice, assurance and observations to the Board relating to the effectiveness and adequacy of financial internal controls and risk management systems, processes and activities across NZPM. It assists the Board to fulfil its duties by considering, reviewing, monitoring and approving:

- Risk management framework and processes;
- Financial internal control environment and mechanisms;
- Processes relating to the preparation and audit of financial statements of NZPM;
- The integrity of performance information (including financial reporting);
- Policies to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting.

The chair of the board must not be the chair of the audit and risk committee.

The **remuneration committee** consists of three non-executive members. The committee assists the Board in fulfilling its commitment to set and review the remuneration policies and practices of the co-operative and review the remuneration of all directors and executives annually and to make recommendations for the appointment or dismissal of

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executives.

The **compliance committee** consists of three non-executive members. The committee regularly reviews risk management and compliance with non-financial statutory and regulatory requirements.

The **health and safety committee** consists of three non-executive members. The committee assists the Board to fulfil its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the co-operative and to ensure the general commitment to providing and maintaining a safe and healthy workplace for all employees and to providing the relevant information, training and supervision needed to achieve this.

The **membership committee** consists of three non-executive members. In conjunction with management, the committee seeks an adequate inflow of share capital, increases and maintains the number of transacting and investing shareholders, maintains and enhances whenever possible the good relationships with Master Plumbers, Gasfitters & Drainlayers NZ Inc., and the Affiliated Associations and continuously reviews communication methods between the company and its stakeholders to ensure the best possible ongoing relationships, goodwill and loyalty.

As required, the board may constitute an **appointments committee** which will consist of the chair and two other board members. The committee considers and advises the board on the appointment of Appointed Directors. Where necessary, the committee seeks assistance from external advisers in connection with the suitability of applicants for board membership.

As required, the board may constitute a **conflicts committee** consisting of the chair, the chair of the compliance committee and one other board member. If a member of the committee is conflicted from undertaking their role on the committee, that person will be replaced by another board member. The committee reviews requests from directors to accept other professional appointments.

Board composition and mix

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. 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 shareholders and the achievement of the company goals. 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.

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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 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 six and eight of which the majority will be non-executive.

The terms of appointment are set out in the company's constitution.

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 it appropriate, and subject to shareholders' approval where necessary, reappoint the member as a non-executive member.

Induction of new members

Genuine potential members are encouraged to carry out due diligence on the company before accepting an appointment to the board. 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. 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.

Members' remuneration

The board will determine the level of remuneration paid to members within any limitations imposed by shareholders. Non-executive members will be paid a basic fee as ordinary remuneration which includes membership of various board committees. The chair of each committee may be paid a fee as agreed by the board. At the discretion of the board an extra fee may be payable for any special service as a member. The chair and deputy chair will be paid a level of fees appropriate to their office. For the chair this will generally be 200 per cent, and for the deputy chair 150 per cent, of the basic fees paid to the other non-executive members. Remuneration will be reviewed annually by the board after taking independent advice. Executive members will receive no fees but will be paid as employees of the company in accordance with their contracts of employment with the company.

Shareholdings by members in the company

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. 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

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should follow any procedural recommendations prescribed from time to time by the Institute of Directors in New Zealand (Inc.).

Provision of business or professional services by members

Because a conflict of interest (actual or perceived) may be created, other than normal purchases of plumbing, gasfitting and drainlaying supplies on normal commercial terms for an equivalent customer, trading members 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 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, clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

Other board appointments

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 not detrimentally affect the member's performance as a member. All other appointments must first be discussed with the chair before being accepted. Any other appointments must be disclosed in the members interest register.

Independent professional advice

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. If a member considers such advice is necessary the member 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 member will ensure, so far as is practicable, that the cost is reasonable.

Board and member evaluations

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 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 chair, each member answers the questions in writing, and the responses are collected and collated by the chair who then discusses the results with each member. The chair's own position is discussed with the deputy chair and/or the rest of the board.

Member training

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The board encourages and supports the advancement of the core competencies of its members through continuing professional development relating to the governance of the co-operative.

The board will set and maintain an annual level of financial support for all members to undertake governance related continuing professional development.

Indemnities and insurance

Subject to the company's constitution 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.

The company secretary

The appointment of the company secretary must be approved by the board. 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.

All members, particularly the chair, have access to the advice and services of the secretary for the purposes of the board's affairs and the business.

Part 4 Board – Management relationship

Positions of CEO and CFO

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

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

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Accountability of CEO and CFO to board

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

- 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

The CEO and CFO are expected to act within all specific authorities delegated to him or her by the board. The CEO and CFO are 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 and CFO are expected to adhere to the company goals. The CEO and CFO are expected to not cause or permit any action without taking into account the health, safety, environmental, social and political consequences and their effect on long-term shareholder value.

In financing the company, the CEO and CFO are expected to not cause or permit any action that is likely to result in the company becoming 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 sufficient to meet standards 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 CEO and CFO are expected to not cause or permit anyone to substitute their own risk preferences for those of the shareholders as a whole (for example, as expressed through a board approved risk management plan). The CEO and CFO are 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.

POLICY OWNERSHIP APPROVAL AND REVIEW

Reviewed by: Compliance Committee – 30 March 2022

Approved by: NZPM Board – 31 March 2022*

Next Review Date – March 2024

* Part 2 updated for Statement of Purpose in Nov 2022