



AUTOMOTIVE HOLDINGS GROUP

Charter of the Board

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Charter of the Board

1. Introduction

- 1.1 This Charter sets out the functions and responsibilities of the Board and management of the Company.

2. Definitions

- 2.1 In this Charter:

- (1) **Board** means the board of directors of the Company;
- (2) **CEO** means the Chief Executive Officer;
- (3) **CFO** means the Chief Financial Officer;
- (4) **Chair** means the chair of the Board;
- (5) **Charter** means this Board Charter;
- (6) **Constitution** means the Company's constitution; and
- (7) **MD** means the Managing Director;
- (8) **Secretary** means the Company Secretary.

3. Responsibilities of the Board

- 3.1 The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include:

- (1) approving the strategic objectives of the Group and establishing goals to promote their achievement and comparing actual results ensuring the plan process is efficient;
- (2) ensuring they inform themselves of the Group's business and financial status at all times;
- (3) establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluation of investments against such criteria;
- (4) providing oversight of the Company, including its control and accountability systems;
- (5) exercising due care and diligence and sound business judgement in the performance of their duties;
- (6) considering and approving the Group's annual budgets;
- (7) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (8) appointing and removing the MD, monitoring performance and approving remuneration of the MD, and the remuneration policy and succession plans for the MD;
- (9) ratifying the appointment and, where appropriate, the removal of the CFO and the Company Secretary;

- (10) monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- (11) ensuring that business risks facing the Group are, where possible, identified and that appropriate monitoring and reporting internal controls are in place to manage such risks;
- (12) approving and monitoring financial and other reporting;
- (13) ensuring the Company complies with its responsibilities under the Corporations Act, the ASX Listing Rules, the Company's Constitution and other relevant laws;
- (14) adopting clearly defined delegations of authority from the Board to the MD and Finance Director; and
- (15) review its own processes and effectiveness and the balance of competence of the Board..

4. Composition of the Board

4.1 Size

The Board will be comprised of a minimum of 3 and a maximum of 9 directors. This number may be increased where it is highlighted that additional expertise is required in specific areas, or when an outstanding candidate is identified.

4.2 Directors

- (1) The composition of the Board is determined in accordance with the following general principles:
 - the Chairman shall be a non-executive Director;
 - at least half of the Directors shall be non-executive; and
 - the Board shall comprise Directors with a broad mix of business expertise and experience.
- (2) The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisers as appropriate.
- (3) A director is non-executive when he or she is not a member of management and is independent when he or she:
 - (a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder of the Company (as defined in section 9 of the *Corporations Act 2001*);
 - (b) has not, within the last 3 years, been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
 - (c) has not, within the last 3 years, been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
 - (d) is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
 - (e) has no material contractual relationship with the Company or another group member other than as a director of the Company;
 - (f) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and

- (g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

4.3 Expertise

- (1) The Board shall ensure that collectively, it has the appropriate range of expertise to properly fulfil its responsibilities, including:
 - (a) accounting;
 - (b) finance;
 - (c) business;
 - (d) experience in the automotive retailing and logistics industries;
 - (e) risk management;
 - (f) public company experience;
 - (g) legal skills; and
 - (h) MD/CEO-level experience.
- (2) The Board shall review the range of expertise of its members on a regular basis and ensure that it has operational and technical expertise relevant to the operation of the Company.

5. Appointment of directors

- 5.1 Directors are appointed in accordance with the terms of the Constitution.
- 5.2 Subject to the number of directors allowed under the Constitution, a director may be appointed by an ordinary resolution of the Company in a general meeting. Where a director's position becomes vacant in between such elections, the Board will appoint a replacement director. Such a replacement director will only hold office until the next annual general meeting of the Company.
- 5.3 All Directors are required to voluntarily review their membership from time to time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and program, together with the other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.
- 5.4 The terms and conditions of the appointment and retirement of members of the Board will be set out in a letter of appointment, which shall include the following matters:
 - (1) the term of the appointment, subject to member approval;
 - (2) time commitments envisaged;
 - (3) the powers and duties of directors;
 - (4) any special duties or arrangements attaching to the position;
 - (5) circumstances in which an office of director becomes vacant;
 - (6) expectations regarding involvement with committee work;
 - (7) remuneration and expenses;
 - (8) superannuation arrangements;
 - (9) the requirement to disclose directors' interests and any matters which affect the director's independence;
 - (10) the requirement to provide a current police clearance certificate prior to appointment;
 - (11) fellow directors;

- (12) trading policy governing dealings in securities (including any share qualifications) and related financial instruments by directors, including notification requirements;
- (13) induction, training and continuous education arrangements;
- (14) access to independent professional advice;
- (15) indemnity and insurance arrangements;
- (16) confidentiality and rights of access to corporate information; and
- (17) a copy of the Constitution.

6. Independent professional advice

- 6.1 To facilitate independent judgement in decision-making, each director has the right to seek independent professional advice at the Company's expense. However, prior approval from the Chair is required, which may not be unreasonably withheld.

7. Allocation of responsibilities

7.1 Chair

- (1) The Board elects the Chair in accordance with the Constitution. A deputy chair (**Deputy Chair**) may also be elected.
- (2) The Chair will be a non-executive director who is selected on the basis of the person's achievements and record as a leader.
- (3) The roles of the Chair and the MD may not be exercised by the same individual.
- (4) The position of Chair will be reviewed by the Board at the first Board meeting following the annual general meeting. The Chair authorises the expenses of all the other directors and the MD in accordance with Company policy.
- (5) The Chair is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function, and for the briefing of all directors in relation to issues arising at Board meetings.
- (6) The Chair's specific duties are to:
 - (a) chair Board meetings. If the Chair is not present within 15 minutes after the time appointed for the holding of that meeting, the Deputy Chair will assume this role; if the Deputy Chair is not present, a director chosen by a majority of directors present shall assume this role;
 - (b) establish the agenda for Board meetings in consultation with the MD;
 - (c) ensure Board minutes properly reflect Board decisions;
 - (d) be the spokesperson for the Company at the annual general meeting and in the reporting of performance and profit figures; the MD or the MD's nominee will undertake all other public relations activities;
 - (e) be the major point of contact between the Board and the MD;
 - (f) be kept fully informed of current events by the MD on all matters which may be of interest to directors;
 - (g) regularly review with the MD and such other senior officers as the MD recommends, progress on important initiatives and significant issues facing the Company;
 - (h) provide mentoring for the MD;
 - (i) chair the MD evaluation process through the Remuneration and Nominating Committee;
 - (j) commence the annual process of Board and director evaluation; and

- (k) in accordance with the Constitution, does not have a casting vote.
- (7) The Chair is not entitled to vote or participate in the deliberations on any matter in which he or she has a personal interest, unless there is compliance with the conflict of interest provisions under the Constitution.
- (8) The Chair may be removed from office in accordance with the Constitution.

7.2 Individual directors

In accordance with statutory requirements and in keeping with developments at common law, directors have the following responsibilities:

- (1) exercise their powers and discharge their duties in good faith and in the best interests of the Company;
- (2) use their powers of office for a proper purpose and not for personal advantage or for the benefit of another party;
- (3) use due care and diligence;
- (4) make a reasonable effort to become and remain familiar with the affairs of the Company;
- (5) attend all Board meetings and Board functions unless there are valid reasons for non-attendance; and
- (6) commit the necessary time and energy to Board matters to ensure that they are contributing their best endeavours in the performance of their duties for the benefit of the Company, without placing undue reliance on other directors to fulfil these duties.

7.3 The MD

- (1) The MD is appointed by the Board.
- (2) The MD is responsible for the ongoing management of the Company in accordance with the strategy, policies and programs approved by the Board.
- (3) The MD's responsibilities include:
 - (a) developing with the Board, a consensus for the Company's vision and direction;
 - (b) constructing, with the Company's management team, programs to implement this vision;
 - (c) negotiating the terms and conditions of appointment of senior executives for Board approval;
 - (d) appointing the senior management team;
 - (e) endorsing the terms and conditions of appointment of all other staff members;
 - (f) providing strong leadership to, and effective management of, the Company in order to:
 - (i) encourage co-operation and teamwork;
 - (ii) build and maintain staff morale at a high level; and
 - (iii) build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company;
 - (g) ensuring a safe workplace for all personnel;
 - (h) ensuring a culture of compliance generally, and specifically in relation to environmental matters;
 - (i) carrying out the day-to-day management of the Company;

- (j) forming other committees and working parties from time to time to assist in the orderly conduct and operation of the Company;
 - (k) keeping the Board informed, at an appropriate level, of all the activities of the Company; and
 - (l) ensuring that all personnel act with the highest degree of ethics and probity.
- (4) The Board formally delegates the power to the MD to authorise all expenditures as approved in the budget, subject to:
- (a) operating within the guidelines of the defined authority matrix approved by the Board;
 - (b) all MD remuneration, outside of normal monthly remuneration, being authorised by the Chair;
 - (c) all business related expenses paid to the MD being authorised or ratified by the Chair in accordance with Company policy;
 - (d) the appointment of individuals to specific management roles while being the responsibility of the MD, the terms and conditions under which appointed individuals report to the MD must be approved by the Remuneration and Nominating Committee.

7.4 **Secretary**

- (1) The Secretary is generally responsible for carrying out the administrative and legislative requirements of the Board. The Secretary holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively.
- (2) The Secretary is appointed in accordance with the Constitution.
- (3) The specific tasks of the Secretary include:
 - (a) overseeing the Company's compliance program and ensuring all Company legislative obligations are met;
 - (b) ensuring that the agenda and briefing materials for Board meetings are prepared and forwarded to directors in a timely and effective manner;
 - (c) recording, maintaining and distributing the minutes of all Board and Board subcommittee meetings as required;
 - (d) preparing for and attending all general meetings of the Company and ensuring that the correct procedures are followed;
 - (e) recording, maintaining and distributing the minutes of all annual and extraordinary general meetings of the Company;
 - (f) meeting statutory reporting requirements in accordance with relevant legislation; and
 - (g) any other services the MD or Chair may require.

8. MD and CFO assurances

- 8.1 It is the responsibility of both the MD (or equivalent) and the CFO (or equivalent) to provide written assurances to the Board that in all material respects:
- (1) the financial reports submitted to the Board present a true and fair view of the Company's financial condition and operational results; and
 - (2) the Company's risk management and internal compliance and control system is operating efficiently and effectively.

9. Committees

9.1 Establish committees

To assist with the execution of its responsibilities, the Board has the authority to establish and determine the powers and functions of the committees of the Board. The Board has established the:

- (1) Audit and Risk Management Committee; and
- (2) Remuneration and Nominating Committee.

Each Board committee is to document a charter, approved by the Board, setting out its responsibilities.

9.2 Audit and Risk Management Committee

- (1) The Audit and Risk Management Committee's primary objective is to assist and advise the Board in fulfilling its responsibilities in relation to the accounting and reporting practices of the consolidated entity.
- (2) The role and responsibilities, composition, structure and membership requirements of the Audit and Risk Management Committee are documented in a separate Committee Charter approved by the Board.
- (3) The responsibilities of the Committee include:
 - (a) the Nominating and remuneration of external auditors;
 - (b) reviewing the quality of the external audit;
 - (c) providing an independent, objective review of financial information provided by management to Shareholders and regulatory authorities; and
 - (d) reviewing the effectiveness of the Company's internal financial controls.
- (4) This Committee is not responsible for the review of related party transactions, as all such matters must be referred to the full Board.
- (5) The independent auditors will have a direct line of reporting to the Committee and have clear and open access to members of this Committee.
- (6) This Committee has the function of reviewing management practices in relation to the identification and management of significant financial risk areas and regulatory compliance. Formal systems will be introduced for regular reporting to the Board on financial risks and compliance matters.
- (7) The Audit and Risk Management Committee consists of:
 - (a) a minimum of 3 directors;
 - (b) a majority of independent directors; and
 - (c) a non-executive chairman, who is not the Chair of the Board.

Executives may attend by invitation.

9.3 Remuneration and Nominating Committee

- (1) This Committee's principal function will be reviewing and making recommendations to the Board on remuneration packages and policies applicable to Directors and senior executives. The Committee will also be responsible for recommending criteria for the appointment to the Board and evaluating performance.
- (2) The role and responsibilities, composition, structure and membership requirements of the Remuneration and Nominating Committee are set out in detail in the Remuneration and Nominating Committee Charter approved by the Board.

- (3) The responsibilities of the Remuneration and Nominating Committee include:
 - (a) executive remuneration and incentive policies;
 - (b) the remuneration packages of senior management;
 - (c) the Company's recruitment, retention and termination policies and procedures for senior management;
 - (d) incentive schemes;
 - (e) superannuation arrangements;
 - (f) the remuneration framework for directors; and
 - (g) ensuring that the Company has available to it a Board with the appropriate competencies to enable it to effectively discharge its mandate.
- (4) The Remuneration and Nominating Committee consists of a minimum of 3 non-executive directors and will meet at least once each year.

9.4 **Code of Conduct for Directors and Officers**

- (1) To promote ethical and responsible decision-making, the Board must approve a Code of Conduct for Directors and Officers (including the MD, the CFO and any other key executives) as to the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- (2) The Code of Conduct for Directors and Officers shall deal with the following principal areas:
 - (a) integrity and professionalism;
 - (b) conflicts of interest;
 - (c) confidentiality;
 - (d) fair dealing;
 - (e) inside information;
 - (f) compliance with laws and regulations;
 - (g) corporate opportunities;
 - (h) protection and proper use of the Company's assets; and
 - (i) encouraging the reporting of unlawful, unethical behaviour.
- (3) Directors and the senior management team must comply with the Code of Conduct and demonstrate commitment to the Code and consistency in its execution. Adherence to the Code of Conduct must be periodically evaluated and intermediate action taken where necessary.

9.5 **Code of conduct covering obligations to stakeholders**

- (1) The Board must establish and disclose a code of conduct (**Code**) to guide compliance with legal and other obligations to legitimate stakeholders.
- (2) The Code should include:
 - (a) responsibilities to shareholders;
 - (b) responsibilities to clients, customers and consumers;
 - (c) employment practices;
 - (d) obligations relative to fair trading and dealing;
 - (e) responsibilities to the community;

- (f) how the Company complies with legislation affecting its operations; and
- (g) how the Company monitors and ensures compliance with the Code.

10. Policies

10.1 Establish policies

The Board (or appropriate Board committee) is responsible for establishing policies relating to the following matters.

10.2 Risk management

- (1) The Company's risk management policy (**Risk Management Policy**) shall describe the roles and respective accountabilities of the Board, the Audit and Risk Management Committee, management and the internal audit function.
- (2) The Risk Management Policy should also cover a risk profile, which includes an assessment of the risks facing the Company, compliance and control and an assessment of effectiveness.

10.3 Delegation of authority

- (1) The Company's Statement of Delegated Authority shall set out the Company's policy relevant to the delegation of authority to management to conduct the day-to-day management of the Company.
- (2) The policy contains various levels of authority in relation to entering into transactions and other legally binding agreements on behalf of the Company.
- (3) Directors have no individual authority to make representations or enter agreements on behalf of the Company unless such authority is expressly delegated by the Board.

10.4 Securities trading

- (1) The Company's securities trading policies (**Securities Trading Policies**) shall document the Company's policy relevant to trading in company securities by directors and senior executives.
- (2) The policy shall require directors and senior executives to advise the Chairman, or in his absence the Deputy Chairman, if they intend to trade in securities in the Company. If the Chairman's intends to trade in securities in the Company he is required to advise the Board.
- (3) Each of the Securities Trading Policies must clearly identify those individuals who are restricted from trading, the relevant laws relating to trading, and include a coherent strategy for trading.

10.5 Communications strategy with shareholders

- (1) The Company's communications strategy (**Communications Strategy**) is designed to promote effective communication with shareholders and encourage participation at general meetings.
- (2) The Board aims to ensure that all Shareholders of the Company are kept informed of all material developments affecting the Company's business.
- (3) Information will be communicated to shareholders through announcements to the ASX, the Company's annual report, annual general meetings, half yearly and full year results, and the Company's web site, www.ahg.com.au.
- (4) The Communications Strategy should include policies and procedures relating to use of the Company's website as a means of communicating with shareholders.
- (5) The Company Secretary has been appointed as the person primarily responsible for managing external communications with the ASX.

10.6 Disclosure

- (1) The Company's disclosure policy (**Disclosure Policy**) is designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.
- (2) The Disclosure Policy shall include vetting and authorisation processes designed to ensure that Company announcements:
 - (a) are made in a timely manner;
 - (b) are factual;
 - (c) do not omit material information; and
 - (d) are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.