

## Board Charter

Effective 1 July 2019

### 1. Purpose

The Board has responsibility for the affairs and activities of Good Spirits Hospitality Limited (“**GSH**” or the “**Company**”), which in practice is achieved through delegation to the Chief Executive Officer and the Chief Financial Officer of the day-to-day leadership and management of the Company.

This Board Charter sets out the principles for the operation of the Board of Directors of the Company (the “Board”) and describes the functions of the Board.

### 2. Role of the Boards

The Board has the responsibility to work to protect and enhance the value of the assets of the Company in the interests of the Company and its shareholders. The Board is accountable to shareholders for the performance of the Company. The Board must at all times act honestly, conscientiously and fairly in all respects in accordance with the law applicable to the Company and must act in the best interests of the Company, shareholders and other stakeholders.

The Board's role includes guiding the Company's strategic direction and culture, driving its performance and overseeing and evaluating the activities of management and the operation of the Company.

### 3. Composition

#### **Board Composition**

The Board shall comprise between three and five members. The Board has also agreed that the Chairperson shall be independent. Subject to any other requirements of the Company's Constitution and the NZX Listing Rules, the Board is required to have at least two members who are New Zealand resident and at least two directors who are Independent Directors (as defined in the NZX Listing Rules).

#### **Rotation**

Subject to the Company's Constitution, a Director must not hold office (without re-election) past the third annual meeting following the Director's appointment or three years, whichever is longer. A Director appointed by the Board must not hold office (without re-election) past the next annual meeting following the Director's appointment.

#### **Independence**

In considering whether a Director is “independent”, the Board will consider a range of factors and the criteria prescribed by the NZX Listing Rules.

An “independent” Director is a non-executive Director who does not have a “disqualifying relationship”. A “**disqualifying relationship**” means any direct or indirect interest, position, association, or relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, the Director's capacity to:

- bring an independent view to decisions in relation to the Company;
- act in the best interests of the Company; and

- represent the interests of the Company's shareholders generally, having regard to the factors that may impact Director independence (if applicable).

According to the commentary for Recommendation 2.4 of the NZX Corporate Governance Code, "independent" status should not be determined without careful consideration of all relevant factors and interests, and suggest that factors that may impact a Director's independence include:

- being currently, or within the last three years, employed in an executive role by the Company, any of its subsidiaries, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- currently, or within the last 12 months, holding a senior role in a provider of material professional services to the Company or any of its subsidiaries;
- a current, or within the last three years, material business relationship (e.g. as a supplier or customer) with the Company or any of its subsidiaries;
- a "substantial product holder" of the Company (as defined in the Financial Markets Conduct Act 2013) or a senior manager of, or person otherwise associated with, a substantial product holder of the Company;
- a current, or within the last three years, material contractual relationship with the Company or any of its subsidiaries, other than as a Director;
- having close family ties with anyone in the categories listed above;
- having been a director of the entity or any of its subsidiaries for a length of time that may compromise independence.

In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company and its shareholders generally.

The Board should regularly assess whether each non-executive Director is independent. Each non-executive Director should provide to the Board all information that may be relevant to this assessment. If a Director's independent status changes, this should be disclosed and explained to the market in a timely manner.

### ***Nomination***

The Remuneration and Nomination Committee is responsible for recommending to the Board candidates to be appointed to act as a Director. To be eligible for selection, candidates must demonstrate appropriate qualities and experience.

The nomination of new Directors to be appointed by way of casual vacancy is considered by all Directors, and Directors shall have the opportunity to meet with potential new Directors prior to their appointment. Directors are selected based on a range of factors including the perceived needs of the Board at the time. These factors include the independence, qualifications and experience of candidates.

### ***Induction***

The Board seeks to ensure that new Directors are appropriately introduced to management and the business, that all Directors are acquainted with relevant industry knowledge and that Directors are provided with access to this Board Charter, the charters of all committees, recent Board and committee papers, recent Board minutes and relevant Company policies.

### ***Training and Continuous Education***

Directors should undertake appropriate training to remain current on how to best perform their duties as a Director of the Company. It is expected that all Directors continuously educate themselves to ensure

that they may appropriately and effectively perform their duties. In addition, visits to Company operations when appropriate and briefings from senior managers and external persons will be arranged.

#### **4. Composition and Role of Committees**

The Board has established committees to assist with the fulfilment of its duties. Additionally the committees review and analyse policies and strategies, usually developed by management, which are within their terms of reference. They examine proposals and where appropriate make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

The current committees of the Board are:

- the Investment Committee, which is responsible for establishing investment guidelines and supervising the Company's investment activity;
- the Audit and Risk Management Committee, which is responsible for monitoring and advising the Board on the Company's audit, risk management and regulatory compliance policies and procedures; and
- the Remuneration and Nomination Committee, which is responsible for establishing the policies and practices of the Company regarding the remuneration of Directors and other senior executives, reviewing all components of the remuneration framework. Additionally, the Remuneration and Nomination Committee is responsible for advising the Board on the composition of the Board and its committees, advising and assisting the Company's Chairperson and the Board (as the case may be and as required from time to time) with respect to the review of the performance of the Board, its committees and individual Directors, ensuring the proper succession plans are in place and advising the Board in respect of the effectiveness of its corporate governance policies and developments in corporate governance.

Although the Board may delegate powers and responsibilities to these committees, the Board retains ultimate accountability for discharging its duties.

The composition of the membership, including the chair, of each of these committees will be as determined by the Board from time to time and set out in each Committee charter.

All Directors will be notified of all meetings. The charter for each committee which will be reviewed annually by the Board. From time to time, the Board may create ad hoc or other committees to examine or have the delegated authority to deal with specific issues on behalf of the Board.

The Board reviews annually the performance of each committee, to ensure that each committee is operating consistently with its charter. Each committee will report to the Board in accordance with their respective charters.

#### **5. Procedure**

##### ***Board Meetings, Materials and Presentations***

The Board normally meets 10 times a year, although meetings may be held more frequently as required to deal with urgent matters. For a meeting of the Board to be quorate under the Company's Constitution, 3 Directors must be in attendance.

The Chairperson of the Board shall meet with the Chief Executive Officer and the Chief Financial Officer prior to each Board meeting to discuss the agenda for the forthcoming Board Meeting. Each committee or Director is able to suggest agenda items.

To enable appropriate review of Board materials, it is recommended that Directors receive materials at least five days in advance of meetings for items to be acted upon, except in the case of special meetings for which the time period may be shorter due to the urgency of the matter to be considered. Guidelines are in place concerning the content, presentation and delivery of papers to Directors for each meeting.

The Board encourages the Chief Executive Officer and the Chief Financial Officer to attend the Board meetings to provide additional insight into the items being discussed. Other employees or contractors of the Company may also attend the Board meetings by invitation. All Directors have access to employees to discuss issues or obtain further information on specific areas as they see fit.

In addition to Board meetings, non-executive Directors should consider the merits of conferring periodically without senior management present.

### ***Relationship between the Chairperson and the Chief Executive Officer***

The Board supports the concept of the separation of the role of Chairperson from that of the Chief Executive Officer. The Chairperson's role is to manage the Board effectively, to provide leadership to the Board, and to interface with the Company's Chief Executive Officer.

### ***Remuneration of Directors***

The Directors' remuneration is paid in the form of Directors' fees and in accordance with the Company's *Director and Senior Management Remuneration Policy*. Additional fees are paid to the Chairperson of the Board and the chair of each committee to reflect the additional responsibilities of these positions.

The Board may determine that additional allowances be paid to a Director, as appropriate, to reflect additional services provided to the Company by that Director. The total fees available to be paid to Directors is subject to shareholder approval. As at 1 July 2019, shareholders have approved \$400,000 as the total pool for non-executive Director remuneration.

In addition to Director remuneration, the Company meets the cost of:

- all Directors' travel directly associated with attendance at Board and committee meetings, Board trips and Board business;
- any costs associated with a Director's attendance at functions where the Director is representing the Company; and
- any costs directly associated with the Director's performance of his or her role.

All Directors' expenses must be approved by the Chairperson. The Chairperson's expenses are approved by the chair of the Audit and Risk Management Committee.

### ***Director Access, Indemnity and Insurance***

All Directors have the benefit of a deed of indemnity as permitted by the Companies Act 1993. This provides for certain rights to access company documents, an indemnity in respect of Directors' liability and contains certain disclosure obligations.

GSH also has Director and Officer insurance. The costs of this insurance are met by the Company.

### ***Disclosures of Interest and Conflicts of Interest***

Directors are required to make disclosures of all interests in companies and other entities outside of GSH at the time they are appointed and to ensure that the Board is informed of any changes in these disclosures. All disclosures of interest, including the nature and extent of any interest are recorded in the interests register of the Company by the Chief Financial Officer.

The Directors are required to act in a manner which is consistent with the best interests of the Company as a whole, free of any actual or possible conflicts of interest, and in accordance with the Company's *Code of Ethics*.

Directors should minimise the possibility of conflict of interest in their involvement with GSH by restricting their involvement in businesses that could lead to a conflict of interest. Where conflicts of interest do exist then Directors excuse themselves from discussions in respect of those interests and in accordance with the NZX Listing Rules, and do not exercise their right to vote in respect of such matters.

If a Director considers that they might be in a position where there is a reasonable possibility of conflict between their personal or business interests, the interests of any associated person, or their duties to any other company on the one hand, and the interests of the Company or their duties to the Company on the other hand, the Director must:

- fully and frankly inform the Board about the circumstances giving rise to the possible or actual conflict;
- if requested by the Board, within seven days or such further period as may be permitted, take such steps as are necessary and reasonable to remove any conflict of interest; and
- abstain from voting on any motion relating to the matter and absent him/herself from all Board deliberations relating to the matter, including receipt of Board papers bearing on the matter.

If a Director believes that they may have a conflict of interest or duty in relation to a particular matter, the Director should immediately consult with the Chairperson (or, in the case of the Chairperson, the Chairperson should immediately consult with the chair of the Audit and Risk Management Committee).

Interested Directors may not vote on Board resolutions except as permitted under the NZX Listing Rules.

### **Trading in GSH Shares**

Directors are encouraged to hold shares in the Company.

Any sale or purchase transactions of shares by Directors are subject to limitations on their ability to buy and sell GSH shares by the Company's *Financial Products Trading Policy and Procedures* and the Financial Markets Conduct Act 2013.

These limitations include the requirement that Directors can only buy and sell GSH shares during certain periods and that any trading is subject to prior approval of the Chairperson (or in the Chairperson's case, by the chair of the Audit and Risk Management Committee). All changes in the shareholdings of Directors are reported to the Board and NZX.

### **Confidential Information and External Communication**

The Board has established the following principles to apply in respect of information of the Company: Generally, the Chairperson will speak for the Company. Individual Board members are expected not to communicate on behalf of the Board or the Company without prior consultation with the Chairperson.

- Any disclosure of information to a shareholder or any other person which is not disclosed to the market must be approved under the Company's Continuous Disclosure Policy and must comply with the NZX Listing Rules.
- All Directors are required to keep all information provided to them in their capacity as Director confidential, unless disclosure is required by law or by the NZX Listing Rules.

## 6. Responsibilities and Duties

Each Director of the Company is bound by the Company's charters, policies and protocols. The Directors of the Company must:

- conduct their duties at the highest level of honesty and integrity;
- observe the rule and spirit of the laws to which the Company is bound and comply with any relevant ethical and technical standards;
- maintain the confidentiality of all information acquired in the course of conducting their role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board or is required by law or by the NZX Listing Rules;
- observe the principles of independence, accuracy and integrity in dealings with the Board, Board committees, internal and external auditors, senior management and employees within the Company;
- act in accordance with this Charter and disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature, of which the Director becomes aware and which the Director reasonably believes is material, in that it may or may be perceived to influence his or her vote or compromise the reputation or performance of the Company; and
- set a standard of honesty, fairness, integrity, diligence and competency in respect of the position of Director.

### ***Policy and Corporate Strategy***

The management and control of the business of GSH is vested in the Board. The Board has reserved for its own decision certain matters including:

- provide leadership and develop and approve the Company's overall strategic direction and strategic plans;
- the approval of the annual plan and budgets and, financial objectives and policies and significant capital expenditure;
- evaluate, approve and monitor the Company's strategic, investments and financial plans and objectives;
- determine the Company's dividend policy (if any), dividend re-investment plan (if any) and the amount and timing of all dividends;
- the approval of the financial statements, published reports and material reporting and external communications by the Company;
- evaluate, approve and monitor major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions, including the issue of securities of the Company;
- the approval of the establishment and annual review of the effectiveness of the Company's systems of internal control and risk management; and
- the appointment of the Chief Executive Officer and Chief Financial Officer.

The Board provides leadership and exercises due diligence in ensuring that GSH meets its health and safety obligations, strategic direction, securing and allocating resources, and ensuring the Company has appropriate people, procedures and equipment.

The Board is also responsible for the review and approval of any policies that the Board determines should be approved by the Board.

In all other respects the day-to-day management of the Company will be in the hands of the Chief Executive Officer and the Chief Financial Officer.

### **Role and Specific Duties of the Chairperson**

The Company recognises that it is important that the Chairperson has a defined role and operates in accordance with clear functional lines. The role of Chairperson requires a significant time commitment.

The Chairperson will:

- where practicable, be an independent non-executive Director;
- chair Board meetings;
- establish the agenda for Board meetings, in consultation with the Directors and the Chief Financial Officer; and
- chair meetings of shareholders, including the annual shareholders' meeting.

The roles of Chairperson and Chief Executive Officer will be exercised by two separate individuals.

The Chairperson will be appointed by the Board and selected on the basis of relevant experience, skill, judgement and leadership abilities to contribute to the effective direction of the Company.

The Chairperson is responsible for:

- leadership of the Board and for the efficient organisation and conduct of the Board's functions;
- promoting a constructive governance culture and applying appropriate governance principles among Directors and with senior management; and
- facilitating the effective contribution of all Directors and promoting constructive and respective relations between Directors and between Board and senior management.

### **Evaluation of Senior Management and Succession Planning**

The Remuneration and Nomination Committee evaluates the performance of the Chief Executive Officer and oversees the Chief Executive Officer's evaluation of his direct reports. It also recommends the annual remuneration of the Chief Executive Officer to the Board for approval and approves the remuneration of the Chief Executive Officer's direct reports. The evaluation is based on criteria which include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives agreed at the beginning of each year.

The Chief Executive Officer reports annually to the Board regarding management and Chief Executive Officer succession planning and management development. In the event of an emergency or the retirement of the Chief Executive Officer the Remuneration and Nomination Committee will recommend suitable candidates to the Board for appointment to the position of Chief Executive Officer.

### **Chief Financial Officer**

The appointment of the Chief Financial Officer is made on the recommendation of the Chief Executive Officer and must be approved by the Board. The Chief Financial Officer will report to the Chair of the Board of Directors on all matters affecting GSH as a public company, NZX matters and shareholder matters.

### **Management's Responsibilities (Delegation of Authority to the Chief Executive Officer)**

The formulation and implementation of policies and reporting procedures for management, other than as referred to above, has been delegated to the Chief Executive Officer as formal delegation terms. The Board's delegation of the conduct of the day to day affairs of the Company to the Chief Executive Officer is made within these terms. The Chief Executive Officer in turn is responsible for

implementing the *Delegation of Authority Policy* which sets limits on certain decision making and achieves individual accountability.

### ***Independent Advice***

A committee or individual Director may retain and consult with external advisers (including legal, accounting and financial advisers) at the Company's expense where the committee or individual Director deems it necessary to carry out its, his or her functions, with the approval of the Chairperson.

Non-executive Directors are entitled to rely on GSH senior management, in relation to matters within their responsibility and area of expertise and may assume the accuracy of information provided by such persons, so long as the Director is not aware of any reasonable grounds upon which such reliance or assumption may be inappropriate.

The Board may rely upon information provided by Board committees and their members in relation to matters within that Board committee's delegated responsibility, provided that it has evaluated the information and is not aware of any reasonable basis upon which to question its accuracy.

All Directors have access to the advice and services of the Chief Financial Officer.

## **7. Accountability**

### ***Evaluation of Board performance***

The Board reviews its performance as a whole on an annual basis. Performance reviews of individual Directors will be undertaken as required and determined by the Board. The Remuneration and Nomination Committee reviews the remuneration of Directors based on criteria developed by that committee.

## **8. General**

This Board Charter has been approved and is reviewed by the Board every year, or earlier if review is requested by a Director.

Any amendments to this Board Charter must be approved by each Director of the Company.

Each Director is responsible for review of the effectiveness of this Board Charter and the operations of the Board and to make recommendations to the Board of any amendments to this Board Charter.

A copy of this Board Charter shall be made available on the Company's website at all times.