

Board Charter – Motor Trade Finance Limited

Motor Trade Finance Limited and its subsidiaries (MTF) are committed to a high standard of corporate governance. MTF was founded as a co-operative company and maintains many elements of the co-operative model including a majority of directors being shareholder directors.

This Board Charter (Charter) is the foundation document which sets out the Board's role and responsibilities in the governance of MTF.

Introduction

1. This Charter sets out how the Board will exercise and discharge its powers and responsibilities in relation to the business of MTF. In performing its role the Board aspires to continuously improve corporate governance at MTF as appropriate for an NZDX listed company and in consideration of the Financial Markets Authority's corporate governance principles and guidelines.

Purpose

2. This Charter sets out the role, composition, responsibilities and duties, procedures, powers and authority, and review and accountability of the Board, the committees established by the Board (Board Committees) and the relationship between the Board and the Chief Executive Officer (CEO) and Management.

Governance at MTF

3. MTF's purpose statement guides its actions and behaviours. The purpose will reflect MTF's commitment to doing the right thing for its stakeholders, including staff, customers, originators, shareholders and community.
4. When acting as a Director of MTF each director will conduct themselves in accordance with the MTF values, their legal duties and obligations, including the duty to act in good faith and in what the Director believes to be the best interests of MTF and its shareholders and other stakeholders.
5. More specific expectations of Directors are set out in the Directors' Code of Ethics, which specifies professional conduct standards for Directors so that Directors act consistently with MTF's values, culture, reputation, business goals, legal obligations and policies.

Governance roles and responsibilities

Board

6. The Board is appointed by MTF's shareholders, (which in turn directly appoints two independent directors) and has statutory responsibility for the business of MTF. The Board has overall responsibility for the strategy, culture, governance and performance of MTF by working with, and through, Management.
7. In carrying out its role, the Board's specific responsibilities include:
 - a. Overseeing MTF, including its control, accountability, decision-making and compliance procedures.
 - b. Approving MTF's strategy, business plans and policies.
 - c. Ensuring that MTF's goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate from management and the Board itself).
 - d. Establishing performance criteria for MTF and monitor the performance of the CEO and management.
 - e. Adopting appropriate procedures to oversee compliance with applicable laws, regulations, codes

- and accounting standards.
- f. Establishing MTF's risk profile and ensuring that MTF has appropriate risk management and regulatory compliance policies in place and that these are monitored on a regular basis
 - g. Safeguarding the reputation of MTF and the MTF brands
 - h. Approving and monitoring the progress of major capital expenditure, capital management, and any major acquisitions and divestments.
 - i. Ensuring that adequate plans and procedures are in place for succession planning in relation to the Board and the CEO.
 - j. Appointing the CEO, setting the terms of the CEO's employment arrangements and, where necessary, terminating the CEO's appointment.

Chairperson

8. The Chairperson is responsible for leading the Board and ensuring that it is operating to the highest governance standards, including encouraging a culture of openness and debate to foster a high-performing and collegial team of Directors that operates effectively.
9. Directors elect the Chairperson of the Board, who is required to be one of the appointed Independent Directors. The Chairperson holds office until the Directors elect a new Chairperson in his or her place.
10. The Chairperson is appointed at the first Board meeting following the Annual Meeting.
11. In leading the Board, the Chairperson will focus on ensuring strategic issues and shareholder views are regularly reviewed, clearly understood and underpin the work of the Board.
12. The Chairperson will ensure there are processes and procedures in place to evaluate the performance of the Board. The Chairperson will provide advice and mentoring to Directors, and is encouraged to provide constructive feedback where the Chairperson considers this necessary to ensure the proper performance of the Board.
13. The Chairperson has authority to act and speak for the Board between meetings, including engaging with the CEO. The Chairperson will report to the Board as appropriate on decisions and actions taken between meetings of the Board.
14. The relationship between the Chairperson and CEO is important as it facilitates effective working relationships between the Board and Management. Generally, the Chairperson and the CEO meet before Board meetings to discuss and suggest agenda items.

CEO

15. As the principal representative of MTF, the CEO is responsible for providing leadership to shape culture, drive performance and develop and achieve of business strategies that align with stakeholder expectations.
16. The Board will provide governance for MTF and will give guidance to the CEO to contribute to performance. Using their knowledge and experience, the Board members will oversee and monitor the work and performance of the CEO and management.

Delegation of powers and authority

17. The Board has appointed three standing Board Committees (as outlined below) to assist it in carrying out its responsibilities, but not authority, as set out in the relevant committee Charter.

18. In addition to the delegations referred to above, the Board may also, from time to time:
- establish ad hoc or other standing Board Committees, and delegate responsibilities to those Committees; and
 - delegate specific responsibilities and authority to particular Directors or Management.

Delegation to, and role of, the CEO

19. The Board has delegated authority, in part, to the CEO to allow for the effective day to day management and leadership of MTF. The CEO may also sub-delegate authority to other members of Management, and certain other MTF roles, within specified financial and non-financial limits approved by the board.
20. The CEO attends all Board and Board Committee meetings, except for:
- meetings of the Board or any Board Committee that are held without Management present; or
 - meetings of the Remuneration Committee (the CEO will only attend meetings of this Committee if invited to do so by its Chairperson).

Evaluating the Performance of Management

21. The Board has delegated certain responsibilities relating to these matters to the Remuneration Committee (as set out in that Committee's Charter). The Remuneration Committee meets to discuss the CEO's performance and remuneration. The Chairperson then meets with the CEO to discuss performance and to provide guidance.
22. The CEO should report annually to the Board, via the chairman, regarding development and succession planning for certain other key members of Management.

Role of Board Committees

23. The Board currently has the following standing Board Committees (each with a Board approved Charter and Chairperson):
- **Audit Committee:** assists the Board in ensuring oversight of all matters relating to financial management and controls, and the financial accounting, audit and reporting of MTF.
 - **Credit Committee:** assists the Board by reviewing credit risk, recommending credit policy and approving large exposures
 - **Remuneration Committee:** assists the Board by reviewing the remuneration frameworks for the Board and CEO.
24. These Committees assist the Board by focusing on specific responsibilities in greater detail than is possible for the Board as a whole. 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.
25. The **Nominations Committee** convenes to fill a board vacancy as required to ensure appropriate board skill sets and director succession, and to oversee the process for identifying and recommending potential candidates for appointment as Directors. The membership of this committee consists of the full board.

Operation of Board Committees

26. **Schedule 1** to this Charter sets out matters that apply to all standing Board Committees, including:
- composition and membership;
 - procedure;
 - responsibilities and duties; and
 - powers and authorities.
27. In addition to this, specific requirements may be set out in a Board Committee's Charter (to be read in conjunction with the provisions in Schedule 1).
28. The matters in Schedule 1 will, unless specified otherwise, also apply to any ad hoc or other standing Board Committees established by the Board.

Review and Accountability of Board Committees

29. The Board will annually review and evaluate the membership and performance of each Committee to ensure it is operating consistently with its Charter and all relevant Board delegations. Each Committee Charter will be reviewed annually or as considered appropriate.

Relationships with Shareholders

30. MTF is committed to fostering constructive relationships with shareholders that encourage engagement with MTF. In particular, MTF is committed to:
- communicating effectively with shareholders, including through annual general meetings;
 - giving shareholders ready access to balanced and understandable information about MTF and its corporate proposals;
 - making it easy for shareholders to participate in MTF's general meetings; and
 - maintaining an up to date website which provides shareholders with information about MTF, its business and affairs.
31. MTF originates from a co-operative company and maintains many aspects of the co-operative structure, including the appointment of shareholder directors and the requirement for originators to hold ordinary shares. However, all MTF Directors are required to ascertain, receive and understand information regarding the issues and concerns of originating shareholders and must ensure high quality and frequent communication from MTF to its originating shareholders.
32. Directors will refer requests or other communications from any shareholders, employees, other stakeholders, or interested parties, to the Chairperson or CEO for an appropriate response or action, unless they have been specifically authorised by the Board engage or to speak on its behalf.

Board procedure

Board Meetings

33. The Board normally meets a minimum of nine times a year. The Board may meet without Management present, as the Board considers necessary.
34. The procedure for Board meetings is set out in Schedule 4 of MTF's Constitution.
35. The Board may call ad hoc meetings to deal with urgent matters.

Board Materials and Presentations

36. The Chairperson of the Board generally meets with the CEO prior to each Board meeting to discuss the agenda for the coming meeting. Each Committee or Director is able to suggest agenda items.
37. To allow sufficient time for review, management aim to provide meeting material five business days before a meeting, except in the case of ad hoc meetings for which the time period may be shorter due to urgency. Papers are taken as read and summarised at meetings so that discussion is focused on the issues requiring Board input and determination.
38. All Directors have access to MTF employees to discuss issues or obtain further information on specific areas. Board members should notify or seek approval from the CEO prior to accessing employees. Board members should not instruct, seek to influence, or share board information or views with individual MTF staff members, as all Board business should initially be directed to the CEO.

Reliance on advice

39. A Director may, with the Chairperson's approval use external independent consultants and experts (including legal advisers) and may request the attendance of such experts at a Board or Committee meeting where necessary to fulfil the relevant role and responsibilities for MTF. The costs of any such expert or consultant will be paid by MTF.
40. Directors (as members of the Board and as members 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;
 - the Director makes proper inquiry where the need for this is indicated by the circumstances;
 - the Director brings an enquiring mind and his or her own knowledge of MTF to evaluate the information and advice provided; and
 - the Director has no knowledge that any such reliance or assumption may be inappropriate.
41. The Board may rely on information provided by a Board Committee (or its members) in relation to matters within that Committee's delegated responsibility (subject to the same provisos set out above).

Remuneration of Directors

42. Director remuneration is paid in the form of Directors' fees. Additional fees are paid to the Chairperson to reflect the additional responsibilities. Unless agreed otherwise by the board, no separate fees are payable for committee memberships, as all directors sit on one or more committees and can attend all committee meetings
43. The total fees to be paid to Directors are subject to shareholder approval. Director remuneration is based on the upper quartile of market rates as determined in the annual Director's Fees Survey conducted in conjunction with the New Zealand Institute of Directors. The revenue, organisation assets, shareholder funds and employee numbers categories provide an accurate view of MTF's market range.

Reimbursement of Directors' Expenses

44. In summary, MTF meets the following expenses of Directors:

- Reasonable costs directly associated with attendance at Board and Committee meetings, Board trips and Board business;
- reasonable costs associated with attendance at functions where the Director is representing MTF;
- reasonable travel costs directly associated with a Director's spouse's/partner's attendance at functions where their attendance is considered appropriate to represent MTF's interests; and
- any expenses directly associated with the performance of the Director's role,

Remuneration of CEO

45. The CEO's remuneration is paid in the form of a salary and short term incentives. The CEO remuneration is reviewed annually by the Remuneration Committee including aligning incentive targets with business strategic outcomes.

Trading in MTF Shares

46. Directors are subject to limitations on their ability to deal in MTF securities by MTF's Security Trading Policy and the New Zealand Securities Market Act 1988. These limitations include the requirement that Directors may not deal in MTF securities or the securities of another issuer while in possession of inside information about that entity.

47. All changes in any interests in MTF shares held by Directors are required to be reported to the Board.

Board Composition

48. The Constitution outlines the requirements for board composition, rotation and nomination and independence.

Independence

49. In order for a Director to be considered independent, the Board must affirmatively determine that the Director does not have a disqualifying relationship in accordance with the constitution.

50. Each Director will fully disclose to the Board all information necessary to enable MTF to assess independence.

Nomination

51. The nomination of new Directors to be appointed by way of casual vacancy is considered by all Directors.

52. Potential candidates for appointment as Directors by the MTF Board are recommended by the Nominations Committee. To be eligible for selection, candidates must demonstrate appropriate qualities and experience and satisfy the Board they will commit the time needed to be fully effective in their role.

53. Directors are selected based on a range of factors including the perceived needs of the Board at the time. These factors include the independence (where Independent Director), qualifications, skills and experience of candidates.

Induction

54. The Board seeks to ensure that new Directors are appropriately introduced to Management and the MTF business, that all Directors are acquainted with relevant industry knowledge and economics and that they receive a copy of this Charter and any other key governance documents.

Continuous Education

55. It is expected that all Directors continuously educate themselves to ensure that they have appropriate expertise and can effectively perform their duties.
56. In addition, visits to MTF's operations, briefings from key Management and industry experts or key advisers to MTF, and educational and stakeholder visits, briefings or meetings will be arranged for the Board.

Review and Evaluation of Board Performance

57. The Board will review and evaluate the performance of the Board, using a Board evaluation process established, developed and overseen by the Chairperson.

Review of Governance Documents

58. This Board Charter, the Charters of Board Committees and other key governance documents are reviewed at least annually by the relevant Committees overseeing them and by the Board or as considered appropriate.

Schedule 1: Board Committees

Membership

- 1 The membership of each Board Committee must comply with the following:
 - the members of each Board Committee are appointed (and removed) by the Board;
 - unless specified otherwise in a Board Committee's Charter, MTF employees who are not Directors cannot be appointed as members of a Board Committee.

Procedure

- 2 A Board Committee will meet as often as its Chairperson considers necessary.
- 3 A quorum of a Board Committee is two members.
- 4 The Chairperson of a Board Committee:
 - may call informal meetings to discuss draft proposals or senior management issues where considered appropriate to fulfil the responsibility of the Committee effectively and efficiently;
 - will discuss the agenda and meet with relevant Management before each meeting;
 - may communicate with any MTF employees to seek information or invite any person to a meeting where this is necessary to enable the Board Committee to perform its role;
 - may request that any person leave a meeting at any time (this includes members of the Board Committee and Management);
 - will ensure that papers submitted to that Board Committee are circulated to all Directors (not just members of the Board Committee);
 - will ensure that the Committee's Charter appears on MTF's external website; and will report back any Board Committee recommendations (or resolutions, where a Board Committee has been delegated authority to make decisions on the Board's behalf) at the Board meeting immediately following the Board Committee meeting.
- 5 Any member of the Board may attend any Board Committee meeting at any time. Any such Board member who attends a Board Committee meeting will attend as an observer only (and will not be counted in the quorum or be able to vote).

Roles and Responsibilities

- 6 The role and responsibilities of a Board Committee will be set out in its Charter. Generally a Committee's role will be to assist the Board in performing its duties (including reviewing, monitoring and overseeing Management and making recommendations to inform Board decision-making).

Powers and Authority

- 7 The three standing Board Committees have the following powers:
 - No decision making except by special board resolution:
 - Any of the Board Committee's responsibilities can be delegated to the Chairperson of the Committee at any time and on any conditions which the Board Committee considers appropriate.
 - Any activity in MTF which is covered by the Board Committee's role (as set out in its Charter) can be investigated by the Committee.
 - A Board Committee may, with the Chairperson's prior consent, retain, consult with, or terminate the use of, external independent consultants and request the attendance of such at a Committee meeting at MTF's costs.