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## **Board Charter**

Bapcor Limited ABN 80 153 199 912

Adopted by the Board on 31 March 2014

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## Bapcor Limited Board Charter

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### 1 The Board and overview of its role

- (a) The board of directors (**Board**) of Bapcor Limited (**Bapcor**) is responsible for, and oversees the governance of, Bapcor.
- (b) Corporate governance describes the way Bapcor is directed and controlled. Bapcor's shareholders appoint directors and hold them accountable for the performance of the company. A key part of directors' responsibility is to ensure that an effective corporate governance structure operates in Bapcor.
- (c) The governance structure should ensure that reasonable profit and growth targets are set and achieved and risk is properly managed, while taking into account the interests of Bapcor stakeholders. As well, Bapcor's corporate governance culture and its way of doing business, including leadership by the Board and senior executives, is critical to Bapcor's continuing success.
- (d) This board charter sets out the functions of Bapcor's board by describing the structure of the Board and its committees, the need for independence and other obligations of directors.
- (e) The Board will meet regularly on such number of occasions each year as the Board deems appropriate.

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### 2 Functions of the Board

- (a) The Board strives to build sustainable value for shareholders whilst protecting the assets and reputation of Bapcor. Its functions include but are not limited to:
  - (i) approving Bapcor's strategies, budgets and business plans;
  - (ii) approving Bapcor's annual report including the financial statements, directors' report, remuneration report and corporate governance statement, with advice from the Nomination and Remuneration Committee and the Audit and Risk Management Committee, as appropriate;
  - (iii) approving major borrowing and debt arrangements, the acquisition, establishment, disposal or cessation of any significant business of the company, any significant capital expenditure and the issue of any shares, options, equity instruments or other securities in Bapcor;
  - (iv) assessing performance against strategies to monitor both the performance of senior management of Bapcor Limited (being the Chief Executive Officer and other individuals as determined from time to time by the Nomination and Remuneration Committee) (**Senior Management**) as well as the continuing suitability of strategies;
  - (v) reviewing operating information to understand at all times the state of health of Bapcor;
  - (vi) considering the economic, occupational health and safety, environmental and social sustainability risks of Bapcor's activities;
  - (vii) ensuring that Bapcor acts legally and responsibly on all matters and that the highest ethical standards are maintained;
  - (viii) maintaining a constructive and ongoing relationship with the Australian Securities Exchange (**ASX**) and regulators, and approving policies regarding disclosure and communications with the market and Bapcor's shareholders; and

- (ix) monitoring and approving changes to internal governance including delegated authorities, and monitoring resources available to Senior Management.
- (b) With the guidance of the Board's Nomination and Remuneration Committee, the Board is responsible for:
- (i) evaluating and approving the remuneration packages of the Chief Executive Officer, directors and other members of Senior Management;
  - (ii) monitoring compliance with the non-executive director remuneration pool as established by the Constitution, or as subsequently amended by shareholders, and recommending any changes to the pool;
  - (iii) administering short and long term incentive plans (including any equity plans) and engaging external remuneration consultants;
  - (iv) appointing, evaluating or removing the Chief Executive Officer, and approving appointments or removal of all other members of Senior Management and directors;
  - (v) regularly assessing the independence of all directors;
  - (vi) reviewing and implementing succession planning for directors and Senior Management; and
  - (vii) monitoring the organisational capability and mix of skills, experience, expertise and diversity on the Board and, when necessary, appointing new directors, for approval by shareholders.
- (c) With the guidance of the Audit and Risk Management Committee, the Board is responsible for:
- (i) overseeing the establishment of and approving Bapcor's risk management strategy policies, procedures and systems;
  - (ii) reviewing and monitoring the effectiveness of Bapcor's risk management strategy, policies, procedures and systems;
  - (iii) preparing and presenting Bapcor's financial statements and reports;
  - (iv) overseeing Bapcor's financial reporting, which, without limitation, includes:
    - (A) reviewing the suitability of Bapcor's accounting policies and principles, how they are applied and ensuring they are used in accordance with the statutory financial reporting framework;
    - (B) assessing significant estimates and judgements in financial reports;
    - (C) assessing information from external auditors to ensure the quality of financial reports; and
    - (D) recommending to the Board whether the financial and associated non-financial statements should be signed based on the Audit and Risk Management Committee's assessment of them;
  - (v) the entry into, approval or disclosure of related party transactions (if any);
  - (vi) overseeing Bapcor's financial controls and systems;
  - (vii) managing audit arrangements and auditor independence.

- (d) The functions listed are matters which the Board specifically reserves for itself and does not limit the Board's overall duties and responsibilities. The Board may delegate consideration to a committee of the Board specifically constituted for the relevant purpose.

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### 3 Powers delegated to management

- (a) The Board will delegate to the Chief Executive Officer the authority and power to manage Bapcor and its businesses within levels of authority specified by the Board from time to time. The Chief Executive Officer may delegate aspects of his or her authority and power but remains accountable to the Board for Bapcor's performance and is required to report regularly to the Board on the progress being made by Bapcor's business units.
- (b) The Chief Executive Officer's role includes:
  - (i) responsibility for the effective leadership of the management team;
  - (ii) the development of strategic objectives for the business; and
  - (iii) the day-to-day management of Bapcor's operations.

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### 4 Board structure

The composition, structure and proceedings of the Board are primarily governed by Bapcor's constitution (a copy can be found on the company's website) (**Constitution**) and the laws governing corporations in jurisdictions where the company operates. The Board, with the assistance of the Nomination and Remuneration Committee, will regularly review the composition and structure and performance of the Board.

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### 5 Board composition

The Board aims to have a board of directors which has, at all times, the appropriate mix of skills, experience, expertise and diversity relevant to Bapcor's businesses and the Board's responsibilities.

The majority of the Board should, to the extent practicable given the size and composition of the Board from time to time, be comprised of independent directors as determined in accordance with clause 13.

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### 6 Appointment and re-election of directors

- (a) With guidance from the Nomination and Remuneration Committee and, where necessary, external consultants, the Board will identify candidates with appropriate skills, experience, expertise and diversity in order to discharge its mandate effectively and to maintain the necessary mix of expertise on the Board.
- (b) The Nomination and Remuneration Committee assesses nominations of new directors against a range of criteria including the candidate's background, experience, gender, professional skills, personal qualities and whether their skills and experience will complement the existing Board.
- (c) The criteria to assess nominations of new directors is reviewed annually and the Nomination and Remuneration Committee regularly compares the skill base of existing directors with that required for the future strategy of Bapcor to enable identification of attributes required in new directors.
- (d) Before appointment to the Board, candidates must confirm that they will have sufficient time to meet their obligations to Bapcor, in light of other commitments.

- (e) New directors are to be provided with a formal letter of appointment to the Board setting out the key terms and conditions of the appointment, together with any other documents that Bapcor considers relevant to the appointment.
- (f) For shareholder meetings where directors are standing for election or re-election, the notice of meeting must include information to enable shareholders to make an informed decision on their election. This requirement is set out in detail in Bapcor's Nomination and Remuneration Committee Charter.
- (g) All directors (other than a managing director, if any) are subject to re-election by rotation at least every three years. Newly appointed directors must seek re-election at the first general meeting of shareholders following their appointment.

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## 7 Review of Board, committee and individual directors' performance

- (a) The Nomination and Remuneration Committee will regularly carry out a formal review of the performance of the Board, its committees, Senior Management and each non-executive director, using where necessary an external consultant, against appropriate measures. The review will assess:
  - (i) the effectiveness of the Board and each committee in meeting the requirements of its charter;
  - (ii) whether the Board and each committee has members with the appropriate mix of skills and experience to properly perform their functions;
  - (iii) the contribution made by each director at meetings and in carrying out their responsibilities as directors generally, including preparing for meetings;
  - (iv) whether adequate time is being allocated to Bapcor's matters, taking into account each director's other commitments; and
  - (v) the independence of each non-executive director, taking into account the director's other interests, relationships and directorships.
- (b) Each year, the Nomination and Remuneration Committee will review the performance of the Chief Executive Officer and any other executive directors as may be appointed against guidelines approved by the Board.
- (c) Each year, a statement detailing the mix of skills and diversity which the Board is looking to achieve in membership to the Board should be included in Bapcor's annual report.

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## 8 Board Chair

The chair of the Board (**Board Chair**) will be elected by the Board but must be an independent director. The Board Chair must not hold, and must not have held within the previous 3 years, the office of Chief Executive Officer of Bapcor.

The Board Chair's role includes:

- (a) providing effective leadership to the Board in relation to all Board matters;
- (b) representing the views of the Board to the public; and
- (c) presiding over meetings of the Board and general meetings of shareholders.

## 9 Company secretary

- (a) The Board appoints and removes the company secretary. All directors are to have direct access to the company secretary.
- (b) The company secretary is responsible for the day to day operations of the company secretary's office, including the administration of Board and committee meetings, overseeing Bapcor's relationship with its share registrar and lodgements with the ASX and other regulators.
- (c) The company secretary is also responsible for communications with the ASX about listing rule matters, including making disclosures to the ASX in accordance with Bapcor's Disclosure Policy.
- (d) The company secretary supports the effectiveness of the Board by monitoring that Board policy and procedures are followed and co-ordinating the completion and despatch of Board agendas and briefing papers.
- (e) The company secretary is accountable to the Chief Executive Officer, and to the Board through the Board Chair, on all corporate governance matters.

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## 10 Keeping directors informed

- (a) New directors are to be briefed on their roles and responsibilities and the minutes and papers of Board and committee meetings will be made available to them.
- (b) Board papers are distributed, where possible, within a reasonable period of time before each meeting.
- (c) Time is to be allocated at Board and committee meetings for continuing education on significant issues facing the company and changes to the regulatory environment. This is to include briefings by Senior Management and external consultants from time to time.

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## 11 Access to independent advice

Directors may obtain independent professional advice at Bapcor's expense on matters arising in the course of their Board and committee duties, after obtaining the Board Chair's approval. Whenever practicable, the advice must be commissioned in the joint names of the director and Bapcor, and a copy of any such advice should be provided to the entire Board. The other directors must be advised if the Board Chair's approval is withheld.

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## 12 Non-executive directors' meetings

The non-executive directors are expected to meet periodically with no management present, to review management performance.

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## 13 Independence of non-executive directors

- (a) To be judged independent, a director must, in the opinion of the Board, be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Bapcor and its security holders generally.

- (b) Individuals would, in the absence of evidence or convincing argument to the contrary, be judged to be not independent if they were:
- (i) employed, or had previously been employed in an executive capacity by Bapcor or any of its subsidiaries in the three years prior to becoming a director; or
  - (ii) directly involved in the audit of Bapcor or any of its subsidiaries; or
  - (iii) a substantial shareholder of Bapcor, or an officer of, or otherwise associated directly with, a substantial shareholder of Bapcor; or
  - (iv) a principal of a professional adviser or consultant to Bapcor or another group member where the amount paid to that adviser or consultant within the three years prior to becoming a director was material or the relationship with the adviser or consultant was otherwise material to Bapcor, or an employee materially associated with the service provided; or
  - (v) a supplier, or an officer of or otherwise associated directly or indirectly with a supplier to Bapcor or another group member where the amount paid within the last three years by Bapcor or another group member to that supplier was material (to either Bapcor or another group member, or the supplier) or the relationship between Bapcor or another group member and the supplier was otherwise material to Bapcor or the supplier; or
  - (vi) a customer, or an officer of or otherwise associated directly or indirectly with a customer of Bapcor where the amount paid during the last three years by that customer to Bapcor was material (to either Bapcor or the customer) or the relationship between Bapcor and the customer was otherwise material to Bapcor or the customer; or
  - (vii) in a material contractual relationship with Bapcor or another group member other than as a director of Bapcor;
  - (viii) has close family ties with any person who falls within any of the categories described above; or
  - (ix) has been a director of Bapcor for more than 9 years.
- (c) If a director has an interest, position, association or relationship of the type described in sub paragraph (b) above, but the Board is of the opinion that it does not compromise the independence of that director, Bapcor may consider disclosing in Bapcor's annual report the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion.
- (d) Any change in the nature of the independence status of a non-executive director must be promptly notified to the Board Chair and company secretary and the Board will review that director's independence status. If the Board determines that there has been a change to the independence status of a non-executive director, the Board will take steps to ensure that this change is disclosed and explained in a timely manner to the market.

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## 14 Conflict of interest

- (a) Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of Bapcor and will advise the company secretary of all directorships or executive positions held in other companies.
- (b) If a potential material conflict of interest or conflict of duty arises, the director concerned will advise the Board Chair prior to any Board meeting at which the issue is to be discussed. The director will not receive the relevant Board papers and will leave the Board meeting while the relevant matter is considered unless the other directors approve that director's participation in



the deliberation and voting on the relevant issue in accordance with the Corporations Act 2001 (Cth). Any potential conflict must be recorded in the Board minutes.

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## 15 Board committees

- (a) The Board will operate two committees:
    - (i) Audit and Risk Management Committee; and
    - (ii) Nomination and Remuneration Committee.
  - (b) When appointing members of each committee, the Board will take account of the skills and experience appropriate for that committee as well as any statutory or regulatory requirements.
  - (c) The chair of the Audit and Risk Management Committee cannot be the Board Chair and is to be independent of management and Bapcor.
  - (d) The committees operated by the Board are to consider and determine the matters for which they are responsible in accordance with their charter. Copies of the charter of each committee are to be published on Bapcor's website. The Board may establish other committees as and when required.
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## 16 Restrictions on share dealings by directors

- (a) In accordance with Bapcor's Securities Trading Policy, directors and senior management may only buy or sell shares during certain periods set out in that policy. The policy contains other relevant restrictions.
  - (b) All Bapcor share dealings by directors must be promptly notified to the ASX.
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## 17 Confidentiality

All proceedings of the Board, including Board papers, presentations and other information provided to the Board, must be kept confidential except as required by law or as agreed by the Board.

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## 18 Code of Conduct

Bapcor has a Code of Conduct which sets out the way Bapcor conducts businesses and guides the behaviour of everyone in Bapcor (including, employees, contractors and directors) by clearly stating Bapcor's firm commitment to behaving honestly and fairly.

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## 19 Review

The Board will, at least once in each year, review this board charter to determine its adequacy for current circumstances and may amend it as necessary.

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