



# MFS LIMITED BOARD CHARTER

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## 1. OVERVIEW

MFS Limited has implemented a corporate governance framework that is based on a set of values and behaviours that underpin everyday activities, ensure transparency and fair dealing and protect stakeholder interest. The Board of MFS Limited recognise that the establishment of a sound corporate governance framework and the implementation of a corresponding governance culture throughout the MFS group is one of the primary responsibilities of the Board. The Board of MFS Limited acknowledges the Board's primary role is the protection and enhancement of long-term shareholder value.

The Board of MFS Limited fulfil their obligations to promote shareholder value and protect the assets of the Company by:

- exercising their right as shareholder of the trading entities within the group to ensure the appointed board of the relevant entities has the relevant expertise and experience;
- appointing, where appropriate, independent directors to subsidiary entities holding an Australian Financial Services Licence or otherwise managing an entity on behalf of external stakeholders (Funds Management subsidiary entities);
- providing direction to entities within the MFS group in regard to appropriate governance, risk management and internal control policies;
- ensuring that the reporting system implemented by subsidiary entities requires all significant issues relating to the operation and performance of the relevant entities to be brought to the attention of the MFS Limited Board;
- requiring decisions regarding any investment, divestures, funding proposals or other transactions that are either outside the delegated authority limits or cannot be funded by a subsidiary entity's own cashflow to be submitted to the MFS Limited Board / MFS Limited Finance and Investment Committee (as relevant) for consideration and approval
- appointing MFS Limited directors to subsidiary entity boards as appropriate;
- monitoring governance and risk policies, practices and systems to ensure effective and appropriate; and
- constituting a series of board committees to focus on protecting the interests of MFS Limited.

## 2. INTRODUCTION

This charter outlines the functions and responsibilities of the MFS Limited (the 'Company') Board ('Board') and identifies the functions and responsibilities that have been delegated to management.

### 3. BOARD FRAMEWORK

#### 3.1 Board Composition

The composition of the Board is determined with reference to the Company's constitution and using the following principles:

- The Board should be structured in such a way that it has a proper understanding of, and competence to deal with, the current and emerging issues of the Company and can effectively review and challenge the performance of management and exercise independent judgement.
- Board membership may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified. The constitution requires the Board consist of a minimum of 4 directors and not more than 14 directors.
- The Board should have sufficient directors to serve on board committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities.

The composition of the Board is to be reviewed on an annual basis, to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new member with particular skills, the Board selects the candidate with the appropriate expertise and experience.

The terms and conditions of the appointment and retirement of members of the Board are set out in writing. The appointment letter covers the following matters:

- the manner in which remuneration is determined;
- fellow directors;
- the term of the appointment, subject to member approval;
- the powers and duties of the director;
- the expectations of the Board in relation to preparation for and attendance at all Board meetings;
- the expectations regarding committee work;
- confidentiality requirements;
- the procedures for dealing with conflicts of interest;
- the requirement to disclose directors interest and any matter that may affect directors independence;
- the availability of independent professional advice;
- insurance arrangements; and
- director education.

New directors are educated about the nature of the business, current issues, corporate strategy and the expectations of the Company concerning performance of directors. The induction pack received by each new director contains a copy of the Company's constitution, corporate governance policies and other relevant information.

### 3.2 Independence

The directors have adopted the following definition of independence:

A director is considered independent if not a member of management and if the director satisfies the following criteria:

- is not a substantial shareholder of the Company holding more than ten per cent of the Company's voting securities or an officer of or otherwise associated directly with a shareholder holding more than ten per cent of the Company's voting securities, other than as a director of the Company;
- is not, nor within the last three years has not been, an executive of the Company or another group member, or been a director after ceasing to hold any such employment;
- is not, nor within the last three years has not been, a principal of a material professional adviser or material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not, nor within the last three years has not been, a material supplier or client of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or client;
- has no material contractual relationship with the Company or other group member other than as a director of the Company;
- has not been a Board member 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
- 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.

The test of whether a relationship or transaction is 'material' will be based on the nature and circumstances of the transaction being reviewed.

Materiality will be considered from the perspective of the Company and the relevant party. As a guideline, a relationship will be considered to be immaterial where it generates in the ordinary course of business, on an arms length basis, less than 5% of the consolidated gross revenue, and will be considered material when it generates more than 10% of the consolidated gross revenue in a twelve month period in the absence of evidence or convincing argument to the contrary.

When reviewing the materiality of activities or relationship between a non-executive director and the Company (other than as a director), the significance of the activities or relationship to the director will be reviewed in the context of their activities as a whole.

Directors identified as independent are required to advise the Board and Company Secretary where circumstances arise where they no longer satisfy the requirements to be identified as independent.

### 3.3 Independent Professional Advice

Each director has the right of access to all relevant information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense.

## **4 BOARD ROLE AND RESPONSIBILITIES**

The Board's primary role is the protection and enhancement of long term shareholder value.

### **4.1 Board Responsibility**

The Board is responsible for:

- oversight of the Company and its governance, risk management and control systems;
- reviewing, approving and monitoring the Company's corporate strategies, budgets and objectives;
- ensuring that effective audit, risk management and regulatory compliance programs are implemented to protect the Group's assets and shareholder value;
- reviewing and approving governance policies;
- appointing and removing the Chief Executive Officer;
- ratifying the appointment of the Chief Financial Officer and the Company Secretary;
- evaluating the performance of the Chief Executive Officer;
- reviewing the performance of the Board and board committees;
- reviewing the performance of the boards of subsidiary entities;
- reviewing Board and senior executive succession planning;
- approving major capital expenditure, capital management and all major acquisitions, divestitures and corporate transactions of the Group;
- monitoring financial position, business results and other reporting;
- approving the Company's accounting policies and financial reports;
- determining the Company's dividend policy;

The Board may delegate any powers to a committee of directors.

### **4.2 Delegation to Management**

#### **4.2.1 MFS Limited**

The Board has retained the responsibility for:

- strategic direction;
- overall operational control; and
- approval of significant acquisitions and divestitures,

whilst delegating the responsibility for the day to day operation and administration of the Company to senior management, under the leadership of the Chief Executive Officer.

The Board has established delegated authority limits within which the Chief Executive Officer must operate. The Board has retained the following powers with regard to delegated authority limits:

- contracts, commitments and capital expenditure above specified limits must be approved by either the Board Finance & Investment Committee or the Board, as determined by the Board from time to time;
- expenditure outside the ordinary course of business in excess of delegated authority limits must be considered by either the Board Finance & Investment Committee or the Board, as determined by the Board from time to time;
- major strategic decisions;
- the issue of any equity or debt securities by the Company, except under a program previously approved by the Board; and
- commencing or taking a significant step in litigation that is considered to be material to the Group.

#### **4.2.2 Fund Management Business**

The successful operation of MFS' Financial Services and Fund Management platform is fundamental to MFS' business model. To this end MFS has adopted separate governance practices within the Funds Management subsidiary entities with a view to ensuring the protection of the interest of unitholders in those funds. Whilst the MFS Limited Board may give direction regarding strategy and governance policies to the board of a Funds Management subsidiary entity, the Board of MFS Limited does not involve itself in the decision making process of these entities where the decision is within the delegated authority limits consistent with licensing requirements and the overall constituent documents of the relevant Funds managed by these entities. The board of MFS Funds Management subsidiary entities are accountable to the Board of MFS Limited with regard to strategy, operations, performance and regulatory compliance.

It is the responsibility of the board of each Funds Management subsidiary entity to ensure appropriate systems and internal controls are implemented, the entity operates within its powers and complies with its' licensing obligations and reports all relevant matters to the MFS Limited Board as they arise.

#### **4.3 Conduct**

The Company is committed to maximising shareholder value whilst also promoting shareholder and general market confidence in the Company. Directors are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Directors are required to, among other things:

- avoid conflicts of interests between their personal interests and those of the Company;
- not take advantage of opportunities arising from their position for personal gain or in competition with the Company; and
- comply with the Company's share trading and other governance policies.

The Board have adopted a Directors' Code of Conduct.

### **5. BOARD SUB-COMMITTEES**

#### **5.1 Remuneration Committee**

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives.

The remuneration package should:

- motivate directors and senior personnel to pursue the long-term growth and success of the Company within the governance, risk management and internal control framework; and
- link to performance.

The Board had established a Remuneration Committee to review the Company's remuneration framework pertaining to the Chief Executive Officer and senior executives. The responsibilities of the Remuneration Committee are outlined in the remuneration committee charter.

#### **5.2 Audit & Risk Committee**

The Board has constituted an Audit & Risk Committee.

The role of the Audit & Risk Committee is to review the integrity, quality and reliability of financial reporting and risk management systems of the Company.

The responsibilities of the Audit & Risk Committee are outlined in the Audit & Risk Committee Charter.

**5.3 Nomination Committee**

The Board has constituted a Nomination Committee.

The Nomination Committee oversees the appointment and induction process for new directors and is responsible for advising the Board on the composition of the Board and reviewing the performance of the Board.

The Committee's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future requirements of the Board.

The responsibilities of the Nomination Committee are outlined in the Nomination Committee Charter.

**5.4 Finance & Investment Committee**

The Board has constituted a Finance & Investment Committee.

The Committee is responsible for reviewing the Company's proposed dividends and earning guidance, and reviewing proposed acquisitions, divestures, funding proposals and other transactions which are outside the delegated authority limits of the Company's executives or which are otherwise referred to the Committee by the Board.

**5.5 Other Committees**

The Board may constitute other committees from time to time.

**6. RISK MANAGEMENT & INTERNAL CONTROL FRAMEWORK**

**6.1 Framework**

The framework depicted below represents an overview of the many layers constituting the risk management framework adopted by the Company and does not represent reporting lines.

MFS Limited Governance Team	MFS Limited Company Secretary and Chief Governance Officer	MFS Limited Board				MFS Limited, CEO and CFO	
		MFS Limited Board Committees					
		Remuneration	Nomination	Audit & Risk	Finance & Investment		
		Funds Management Subsidiary Entity Board					
		Funds Management Subsidiary Entity Board Committees					
		Funds Management GM/Business Owner					
		Support Functions					
		Strategy	Finance	Regulatory & Compliance	Operational		New Business
		Governance & Risk Framework Policies					

MFS Limited adopts a business line approach to internal reporting.

## 6.2 Risk Management

The Board has overall responsibility for ensuring a sound system of risk management and internal compliance and control has been implemented. The Audit & Risk Committee is responsible for advising the Board on the system of internal controls and risk management and the financial reporting and audit process.

A diagrammatic representation of MFS' risk management governance framework is depicted below.

<b>Board</b>			
Considers and approves the risk-reward strategy of MFS.			
Considers and approves overall governance framework.			
<b>Board Committees:</b>			
<b>Audit &amp; Risk Committee</b>	<b>Remuneration Committee</b>	<b>Nomination Committee</b>	<b>Finance &amp; Investment Committee</b>
Integrity of financial statements and systems  Risk management systems	Responsible reward practices	Board skills and succession.	Investment and financial review
<b>Governance Officer</b>			
<ul style="list-style-type: none"> <li>Assists the Board and Audit &amp; Risk Committee review of the adequacy and effectiveness of management controls for risk</li> <li>Monitors compliance with governance framework, policies and procedures</li> </ul>			
<b>Chief Risk &amp; Compliance Officer</b>			
<ul style="list-style-type: none"> <li>Adequacy and effectiveness of management controls for risk relating to Funds Management activities.</li> <li>Operational and risk profile in relation to Funds Management activities.</li> <li>Compliance with policies and procedures.</li> </ul>			
<b>Funds Management Risk &amp; Compliance</b>			
<ul style="list-style-type: none"> <li>Drives enterprise-wide risk management culture, frameworks and decisioning for maximum performance in line with risk appetite.</li> <li>Ensures risk management is a competitive advantage, delivers better solutions for investors, protects and grows earnings, and builds shareholder/ investor value.</li> <li>Forges a partnership with the business, which shares the vision and the responsibility for superior risk management.</li> </ul>			
<b>Business Units</b>			
<ul style="list-style-type: none"> <li>Manage risks inherent in the business including the development of business-specific policies, controls, procedures and reporting in respect of the risk classes.</li> </ul>			

### **6.3 Internal Control Framework**

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has implemented an internal control framework that can be described under four headings:

- Financial reporting - Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly.
- Quality and integrity of personnel - the Company's policies are documented and communicated to all officers and employees. Formal appraisals are conducted at least annually for all employees.
- Delegated authority - the Company has clearly defined levels of authority and due diligence requirements with regard to investment decisions and where businesses are being acquired or divested.
- Functional speciality reporting – the Company has identified a number of key areas which are subject to regular reporting to the Board, such as treasury, legal, governance and regulatory compliance.