

Board Charter

PURPOSE

The purpose of the Charter is to ensure the effective oversight and governance of the Company in line with best practice corporate governance.

The Board Charter sets out the role, responsibilities, composition, procedures, authority and accountability of the Abano Board and the relationship between the Board and the CEO.

GOVERNANCE AT ABANO

The Abano Board of Directors is responsible for ensuring the highest levels of corporate governance within the organisation by adopting appropriate governance processes to manage risks, provide transparency and protect the interests of shareholders and stakeholders. We are committed to conducting business the right way, ethically and in line with legal and regulatory obligations.

The Company continues to monitor developments in best practice governance and update its policies accordingly.

CHARTER OVERVIEW

This Charter covers the following areas:

- Role and responsibilities of the Board
- Delegation to Board Committees
- Board Membership
 - Nomination of Directors
 - Rotation
 - Role of the chairman
 - Independence
 - Resignation and Removal of Directors
 - Alternate Directors
- Directors
- Board Procedure
- Review of the Board

The Board Charter summarises the relevant clauses in the Company Constitution in relation to Directors and their position and responsibilities on the Board and should be read in conjunction with the Company Constitution and the NZX Listing Rules.

CHARTER DETAILS

Role and Responsibilities of the Board

The primary objective of the Board is to act in in good faith in the best interests of the Company and be accountable to shareholders.

The Board has statutory responsibility for the affairs and activities of the Group, which in practice is achieved through delegation to the Chief Executive Officer (CEO) and others who are charged with the day to day leadership and management of the Group.

The CEO has a special responsibility to manage and oversee the interfaces between the Group and its stakeholders, and to act as the principal representative of the Group.

The Board is accountable to shareholders and strives to understand, meet and appropriately balance the expectations of all its stakeholders.

In carrying out its responsibilities and powers as set out in this charter, the Board will at all times recognise its overriding responsibility to act honestly, fairly, diligently and in accordance with the law.

The Board has formulated a number of policies to ensure the effective, ethical, fair and responsible governance of the Company.

The Board is responsible for:

- The appointment of the CEO and for determining the CEO's employment terms and conditions
- Approving the business strategy and overseeing the Company's management and business affairs
- Delegating responsibility for the day to day operation and management of Abano to the CEO and others who are charged with the day to day leadership and management of the Group in line with Abano's Delegated Authorities framework
- Monitoring the performance of the CEO and ensuring appropriate resources are available to enable Abano to implement its strategy
- Ensuring succession plans are in place for the CEO and Directors
- Where appropriate, ratifying the appointment or removal of senior executives
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance
- Ensuring the Company meets all its legal obligations including overseeing Abano's Health and Safety policy and obligations
- Approving and monitoring the progress of major capital expenditure, capital management, and major acquisitions and divestments
- Approving and monitoring financial and other reporting
- Approving the approach to be taken in relation to significant public relations issues that may negatively impact Abano's reputation
- Approving Group and governance policies and Board charters
- Approving the sale and purchase of businesses or shares in a business

- Approving resolutions and corresponding documents to be put forward to shareholders at an annual meeting
- Reporting to shareholders and providing opportunities for shareholder dialogue with the Board
- Ensuring Directors' and officers' liability insurance is in place
- Ensuring that the Abano Board is and remains appropriately skilled.

Delegation to Board Committees

The Board may, from time to time, establish committees to assist it in carrying out its responsibilities and enhance its effectiveness in key areas.

For each committee the Board shall adopt a formal charter that sets out the delegated functions and responsibilities for, and the composition and any administrative matters relating to, that committee.

The current committees of the Board are:

- Risk Assurance and Audit Committee
- Governance and Remuneration Committee.

The use of committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board.

The committees meet as required and have terms of reference, which are approved and reviewed by the Board. Minutes of each committee meeting are forwarded to all members of the Board, who are all entitled to attend any committee meeting. Each committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities. This includes regularly reviewing the membership and performance of each committee against its Charter.

Board Committees do not have the power or authority to make a decision in the Board's name or on its behalf. Their role is to give clear guidance and make recommendations to the Board on relevant matters.

Board Membership

Clause 11.1 of the Company Constitution specifies that the number of Directors shall:

- Not be less than three nor more than nine (or such other number as is fixed by an Ordinary Resolution)
- At least two of which Directors shall be ordinarily resident in New Zealand, and
- That while the Company is Listed, it shall have not less than the minimum number of Independent Directors prescribed by the Listing Rules.

Subject to these limitations, the number of Directors to hold office shall be fixed from time to time by the Board.

It is Abano's policy that the majority of Directors shall be independent, non-executive Directors.

Nomination of Directors

Under Clause 11.5 of the Company Constitution, the Board has the power to appoint any individual to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall at no time exceed the maximum determined under clause 11.1.

Any Director so appointed shall hold office only until the next annual meeting of shareholders, and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting. Board policy is that any Board nominations or appointments to fill any permanent or casual vacancy of the Board, shall be filled by independent Directors.

No individual (other than a Director retiring at the meeting) shall be elected as a Director at a meeting of shareholders unless that individual has been nominated by a shareholder entitled to attend and vote at the meeting and notice in writing of the nomination has been left at Abano Healthcare Group's registered office, signed by a shareholder duly qualified to attend and vote at the meeting, for which the notice is given. The closing date for nominations shall be notified by the Company and will be not more than 2 months prior to AGM. The Notice of Director Nomination Period closing date will be issued not less than 10 days prior to closing date.

A Governance and Remuneration Committee has been established and is responsible for identifying and recommending candidates, taking into account such factors as it deems appropriate, including tenure, capability, skill sets, experience, qualifications, judgement and the ability to work with other Directors.

Abano supports diversity on both the Board and within its businesses, and recognises the value in diversity of thinking and skills which can arise through a number of different characteristics.

Rotation

Clause 11.6 of the Constitution of the Company specifies that at the annual meeting of shareholders in every year and subject to clause 11.7, at least one third of the number of Directors for the time being, including in that number Executive Directors (or if one third of such Directors is not a whole number then the nearest whole number), will retire and is eligible for re-election.

Clause 11.7 states that if the Company has Executive Directors, one of these will not be subject to rotation, while continuing to hold that office, but should be taken into account in determining the number of Directors to retire.

The Directors to retire at an annual meeting pursuant to clause 11.6 shall be those of the Directors who have been longest in office since their last election or deemed election and whose retirement is necessary to satisfy clause 11.6. As between individuals who have been in office for the same period of time, those to retire shall, unless they otherwise agree among themselves, be determined by lot.

Role of the Chairman

The Chairman of the Board will be an independent, non-executive Director. The Chief Executive Officer cannot be the Chairman. The Chairman's responsibilities include:

- Leading and managing the Board to ensure the effective governance of Abano
- Ensuring the efficient organisation and conduct of the Board
- Setting the agenda for each Board meeting in consultation with the Chief Executive
- Chairing Board and shareholder meetings and facilitating effective discussions
- Ensuring Directors are briefed on matters of relevance to the Board
- Promoting an environment of trust, respect and openness to ensure consultative and constructive relationships between the Board and management
- Committing the time necessary to discharge effectively the role as Chairman.

Independence

In order for a Director to be considered independent, the Board follows the independence guidelines of the NZX Listing Rules as follows: "An independent Director means one who is not an executive officer of the Issuer and who has no Disqualifying Relationship".

The NZX defines Disqualifying Relationship as any direct or indirect interest or relationship that could reasonably influence, in a material way, the Director's decisions in relation to the Issuer. Without limiting the definition, a Director shall be deemed to have a Disqualifying Relationship in the following circumstances where:

- a) The Director is a substantial Product Holder of the Issuer or an Associated Person of the Substantial Product Holder (other than solely as a consequence of being a Director of the Issuer); or where
- b) The Director has a relationship (other than in his or her capacity as a Director of the Issuer) with the Issuer or a Substantial Security Holder of the Issuer, unless a class waiver has been granted by NZX; or An Associated Person of the Director has a relationship with the Issuer or a Substantial Security Holder of the Issuer; and by virtue of the relationship in (b) that Director or any Associated Person of the Director is likely to derive, in the current financial year of the Issuer, a substantial portion of his, her or its annual revenue during such financial year.

The Board will review any determination it makes to a Director's independence on becoming aware of any information that indicates that the Director may have a material relationship with Abano.

The Board will disclose which Directors are independent to the NZX and in the Abano annual report, and the basis for these determinations.

Resignation and removal of Directors

A Director may resign from office at any time by tendering a written notice of resignation to Abano's registered office or by announcing the same at a meeting of the Board. A resignation by written notice shall take effect as from the time of receipt of the notice unless a later date is specified in the notice in which case such registration shall take effect from the date specified in the notice.

The Company by Ordinary Resolution may remove any Director before the expiration of his or her period of office notwithstanding anything in the Constitution or in any agreement between the Company and that Director. Any such removal shall be without prejudice to any claim that the Director may have for damages for breach of any contract of service between him or her and the Company.

Processes for the resignation and removal of Directors are outlined in clauses 11.8 of the Company Constitution.

Alternate Directors

The procedures around the appointment and role of Alternate Directors is outlined in Clause 11.10 to 11.15 of the Company Constitution. The role of an Alternate Director is to act in the place of a Director either for a specified period of time or from time to time during the absence or inability of the Director to act.

Directors

- Each Director receives a Letter of Appointment, outlining the key terms and conditions of their appointment and their responsibilities and duties.
- Newly-appointed Directors will be provided with an induction programme and materials to assist in enhancing their understanding of Abano, its businesses and the environment within which they operate.
- Directors will keep confidential all information including Board information, discussions, deliberations and decisions that are not publicly known. These obligations will continue after that person has ceased to be an Abano Director.
- Abano encourages all Directors to undertake appropriate training and education so that they may best perform their duties. The Board has a budget available to support Director training and education. In addition, all Directors are regularly updated on relevant industry and company issues, including briefings from key executives and ongoing presentations to the Board by all business sectors.
- A Board committee or a Director may retain and consult with external legal or other professional advisers at Abano's expense where the committee or Director deems it necessary to carry out its, his or her duties. The Chairman must be advised that the advice has been taken and the advice must be made available to the rest of the Board.
- A Director's Code of Ethics has been developed to provide a framework by which Abano Directors are expected to conduct their professional lives.
- Directors are responsible for monitoring and declaring any possible conflict of interest. Under s140 of the Companies Act, after becoming aware of the fact that he or she is interested in a transaction or proposed transaction with the Company, a Director will enter the details in Abano's interest register and disclose the interest to the Board of Abano.

- In addition, at each Board meeting, the Chairman will seek disclosure of conflicts of interest from Directors on matters to be discussed or voted on at that meeting. Where conflicts of interest do exist, Directors must disclose the nature of the interest to fellow Directors, and, where appropriate, excuse themselves from discussions in respect of those interests and abstain from voting on those matters.
- The framework for the determination and payment of Directors' and senior executives' remuneration is set out in the Remuneration Policy. External advice is sought to ensure remuneration is benchmarked to the market for Directors and Board positions. In addition, the Board has adopted a Share Plan in which non-executive Directors invest 50% of their annual after tax fees into Abano shares, which are acquired on the market on a semi-annual basis. It is the intention of the Share Plan that participating Directors should acquire Shares over the duration of the term of the Plan with the intention that over time, they will have acquired Shares the aggregate value of which is approximately equivalent to the aggregate value of two years of their after tax Directors' fees. The amount paid to Directors is detailed annually in the Company's Financial Statements.
- The conditions for trading in Abano's shares by Directors are outlined in Abano's Share Trading Policy. All changes in any interests in Abano shares held by Directors or related parties are required to be reported to the Board and disclosed to the NZX.
- The Company will provide Directors' and Officers' liability insurance. This ensures that any monetary loss suffered by Directors and Officers, as a result of actions undertaken by them as Directors or Officers, is capped to specified limits (subject to legal requirements or restrictions). Every Director shall be indemnified by the Company for any costs referred to in section 162(3) of the Act and any liability or costs referred to in section 162(4) of the Act. Details of indemnity and insurance are outlined in section 13 of the Company Constitution.

Board Procedures

The Board shall meet as often as it deems appropriate and necessary. Procedures at meetings will be in accordance with the Company Constitution. The Board will meet at least 11 times per year including an Annual Strategy meeting. Additional meetings may be convened should circumstances require. Urgent business may be conducted by telephone or video conference, as detailed in the Constitution.

Board papers will be provided to Directors in sufficient time prior to meetings to enable familiarisation with their content.

Board Review

The Board shall undertake a regular performance evaluation of itself, with an independent external review of performance every three years, that:

- compares the performance of the Board with the requirements of this Charter;
- reviews the performance of the Board's committees and individual Directors;
- sets forth the goals and objectives of the Board for the upcoming year; and
- effects any improvements to this Charter deemed necessary or appropriate.

The performance evaluation shall be conducted in such a manner as the Board deems appropriate.

The Board also has an informal process of continuous feedback and Board improvement.

After each annual meeting, the Chair and the Deputy Chair step down from these roles and may offer themselves for re-election by their fellow Directors.

Review and Approval

Reviewed and approved	By the Board	September 2015
Next review date		September 2016