



**THORN<sup>®</sup>**

# **Board Charter**

November 2019

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## **1. Purpose**

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The purpose of this Charter is to establish an appropriate, practicable and consistent framework of control for Thorn Group Limited (Thorn Group), so as to maximise compliance with statutory and corporate governance requirements.

The framework of control is intended to assist executive officers and others to perform their duties and manage risk effectively, whilst enabling the Board to monitor performance and compliance.

## **2. The Role of the Board**

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The role of the Board is to provide strategic guidance for Thorn Group and effective oversight of management.

The Board always retains ultimate authority over management of Thorn Group and its controlled entities.

## **3. Election of and appointment of Directors**

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- \* The Board is required to undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director;
- \* shareholders are to be provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a director; and
- \* a written agreement is to be in place with each director.

## **4. The Responsibilities of the Board**

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The Board is responsible for optimising the performance of Thorn Group and building shareholder wealth having regard to its community stakeholder obligations.

### *a. Collective Responsibilities*

In carrying out its principal function, the Board's specific collective responsibilities may include the following:

- \* providing strategic direction and guidance for Thorn Group;
- \* defining Thorn Group's purpose;
- \* demonstrating leadership;
- \* approving Thorn Group's annual budget;
- \* approving Thorn Group's statement of values;
- \* monitoring how management instil Thorn Group's values;
- \* appointing (and where appropriate) removing the Chief Executive Officer and approving other key executive appointments and planning for executive succession;
- \* appointing (and where appropriate) removing the Company Secretary;
- \* determining Thorn Group's remuneration policy and practice, including the role of incentives;
- \* determining and reviewing remuneration for the senior executives of Thorn Group;
- \* ensuring the Board is satisfied that remuneration policies align with Thorn Group's purpose, values, strategic objectives and risk appetite;
- \* determining appropriate performance targets for the senior executives;
- \* monitoring the performance of the senior executives, against agreed targets and objectives;

- \* approving the overall treasury policy of Thorn Group, including the targeted gearing ratio, interest and foreign exchange rate exposure limits, establishment of debt facilities and appointment of relationship banks;
- \* approving Thorn Group's dividend payout ratio and the payment of any dividends pursuant to that policy;
- \* approving any significant budgeted and/or non-budgeted capital expenditure;
- \* monitoring the management of Thorn Group's capital, including the progress of any major capital expenditures, acquisitions or divestitures;
- \* identifying and addressing the principal risks facing Thorn Group, including ensuring that a proper system of internal controls and compliance is in place, particularly as regards the National Consumer Credit Protection Act and other applicable legislation;
- \* reviewing and ensuring the Board is satisfied with the effectiveness of Thorn Group's risk management;
- \* ensuring that delegations and discretions provided to management by the Board are being exercised appropriately;
- \* ensure there is an appropriate framework for relevant information to be reported to the Board from management;
- \* monitoring the operational and financial position and performance of Thorn Group;
- \* establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements;
- \* approving and monitoring financial and other reporting;
- \* adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards;
- \* approving, and reviewing from time to time, Thorn Group's internal compliance procedures, including any codes of conduct and taking all reasonable steps to ensure that the business of Thorn Group is conducted in an open and ethical manner;
- \* reporting to shareholders on their stewardship of Thorn Group on a regular and timely basis; and
- \* reviewing and, to the extent necessary, amending the Board and Committee Charters regularly.

*b. Individual Responsibilities*

In addition to their collective responsibilities, Board members must discharge the following individual responsibilities:

- \* to act in good faith and in the best interests of Thorn Group, having prime regard to the interests of shareholders but also considering the interests of employees, customers and other parties with whom Thorn Group is engaged;
- \* prepare for, and attend, scheduled and extraordinary Meetings of the Board and relevant Committees;
- \* positively contribute to formulating strategy and policy for the guidance and management of Thorn Group;
- \* actively participate in the decision making process of the Board;
- \* use due care and diligence in the execution of their role and exercise their powers for proper purposes; and
- \* abide by the Thorn Group Code of Conduct.

## **5. Review of Directors' Performance**

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### *a. Process of review*

- \* The Board will meet at least once per year to review the performance of the Board, the Board Committees, its senior executives, the relationship between the Board and management and matters of general corporate governance.
- \* At least once per year, the Chairperson will conduct a review of the performance and contribution to the Board of each Non-Executive Director.
- \* The Board as a whole will review the performance of the Chief Executive Officer at least once every year.

### *b. Reporting of review*

- \* Thorn Group will include in the corporate governance section of its annual report a statement as to whether a performance evaluation for the Board and its members has taken place in the reporting period and how it was conducted.

## **6. Chairperson**

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### *a. Selection of the Chairperson*

- \* The Chairperson of the Board should be an independent director and accordingly should not be the Chief Executive Officer of Thorn Group at the same time.
- \* The Board must appoint the Chairperson on the basis of the principle that the "most appropriate person" gets the job.
- \* If the Chairperson is not an independent director, an independent director may, if appropriate, be appointed as the Deputy Chairperson.

### *b. Deputy Chairperson*

- \* The Board can decide whether or not to appoint a Deputy Chairperson.
- \* If a Deputy Chairperson is not appointed, the Board will nominate an independent non-executive director to act in the absence of the Chairperson.

## **7. Company Secretary**

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- \* The Company Secretary plays an important role in the effectiveness of the Board by monitoring the adherence to Board policy and procedures and by effectively coordinating the collation and despatch of all material relating to official Board business. All directors are to have reasonable access to the Company Secretary.
- \* The Company Secretary is responsible, through the Chairperson, for the implementation and effective execution of all governance matters.
- \* The appointment or removal of the Company Secretary is a matter for decision by the Board as a whole.

## **8. Authority Delegated to Senior Management**

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### *a. Delegation to the Chief Executive Officer*

- \* The Board has delegated to the Chief Executive Officer authority over the day to day management of Thorn Group, its subsidiaries and their respective operations. This delegation of authority may include responsibility for the following:
  - developing business plans, budgets and strategies for the Board's consideration and, to the extent approved by the Board, implementing these plans, budgets and strategies;
  - operating Thorn Group's businesses within the parameters set by the Board from time to time and keeping the Board informed of all material developments relating to the businesses;

- where proposed transactions, commitments or arrangements exceed the parameters set by the Board, referring the matter to the Board for its consideration and approval;
- identifying and managing operational and other risks and, where those risks could have a material impact on Thorn Group's businesses, formulating strategies for managing those risks for consideration by the Board;
- managing Thorn Group's current financial and other reporting mechanisms to ensure that these mechanisms are functioning effectively to capture all relevant material information on a timely basis;
- implementing Thorn Group's internal controls and procedures for monitoring those controls and ensuring that they are appropriate and effective;
- taking all reasonable steps to ensure that the Board is provided with accurate and sufficient information regarding Thorn Group's operations on a timely basis and, in particular, that the Board is made aware of all relevant matters relating to Thorn Group's performance (including future performance), financial condition, operating results and prospects and potential risks so that the Board is in an appropriate position to fulfil its corporate governance responsibilities; and
- implementing all policies, processes and codes of conduct approved by the Board.

**b. Reserved Powers**

- \* Any responsibilities not specifically delegated by the Board to the Chief Executive Officer remain the responsibility of the Board.

**c. Power to Delegate**

- \* The Chief Executive Officer is authorised to delegate any of the powers conferred on him as the Chief Executive Officer deems appropriate.

**9. Board Independence**

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**a. Criteria for Independence**

The Board considers a director to be independent if the director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

Factors that the Board will take into account in making its assessment are those set out in the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations* and include consideration of whether the director:

- \* is a substantial shareholder of Thorn Group, or otherwise associated directly or indirectly with a substantial shareholder of Thorn Group (including employee or professional advisor to a substantial shareholder);
- \* has been employed in an executive capacity by Thorn Group or a related body corporate within the last three years, and did not become a director within three years of being so employed;
- \* receives performance-based remuneration (including options for performance rights) from, or participates in a Thorn Group employee incentive scheme;
- \* within the last three years, has been a principal or a material professional adviser or material consultant to Thorn Group or another group member or an employee materially associated with the service provided;<sup>1</sup>
- \* is a material supplier, or material customer, or a partner in or controlling shareholder, or executive officer, of a material supplier or material customer of Thorn Group or a related body corporate;<sup>2</sup>

- \* has a material contractual relationship with Thorn Group or a related body corporate other than as a director or Thorn Group;
- \* has served on the Board for such a period that their independence from management and substantial holders could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Thorn Group;
- \* has any interest or 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 Thorn Group; and
- \* has close family ties with any person who falls within any of the categories described above.

*b. Review of independence*

The Board will undertake an annual review of the extent to which each non-executive director is independent, having regard to the criteria set out in Clause 9.1 and any other relevant relationship that the non-executive director may have.

Whether the Board considers a non-executive director to be independent or not, and the reasons for the Board's opinion, will be disclosed in the corporate governance statement set out in Thorn Group's annual report.

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<sup>1</sup> A professional adviser or consultant will be considered 'material' if, in the context of a financial year:

- from Thorn Group's point of view, the amount typically payable by the Thorn Group to the professional adviser or consultant exceeds 10% of the consolidated expenses of the Thorn Group; or
- from the director's point of view, if the annual amount typically received from the Thorn Group exceeds 10% of the professional adviser's or consultant's consolidated gross revenue.

<sup>2</sup> A supplier will be considered 'material' if:

- from Thorn Group's point of view, the annual amount typically payable by the Thorn Group to the supplier exceeds 10% of the consolidated expenses of the Thorn Group; or
- from the director's point of view, if the annual amount typically received from the Thorn Group exceeds 10% of the supplier's consolidated gross revenue.

A customer of the Thorn Group will be considered 'material' if:

- from the Thorn Group's point of view, the annual amount typically received by the Thorn Group from the customer exceeds 10% of the consolidated revenue of the Thorn Group; or
- from the director's point of view, the annual amount typically paid to the Thorn Group by the customer exceeds 10% of the customer's total expenses.

## **10. Board Committees**

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*a. Establishment of Board Committees*

The Board has established the following committees to assist it in discharging its responsibilities:

- \* the Audit Committee;
- \* the Risk and Compliance Committee; and
- \* the Remuneration and Nomination Committee.

*b. Ad hoc committees*

The Board may also delegate specific responsibilities to ad hoc committees from time to time.

*c. Committee charters*

Each committee referred to in clause 10.1 will document and approve a charter setting out the composition of the committee and the powers delegated to it by the Board.

*d. Composition of committees*

- \* The committees are composed of non-executive directors with the necessary skills and experience.
- \* Directors, senior managers and other employees may be invited to attend committee meetings.

*e. Reliance on committee advice*

- \* The Board may rely on advice of a committee provided the reliance was made in good faith and after making an independent assessment of the information or advice having regard to the Board's knowledge of Thorn Group and its structure and operations.

## **11. Directors' Right to Seek Professional Advice**

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*a. Access to professional advice*

A director may seek professional advice to assist the director in carrying out the director's role as a director of Thorn Group. Subject to this Charter, this advice may be obtained at Thorn Group's expense.

*b. Chairperson's permission*

If a director wishes to seek external advice at Thorn Group's expense, the director must obtain the permission of the Chairperson. When doing so, the director should provide the Chairperson with:

- \* the reason for seeking the advice;
- \* the name of the person from whom advice will be sought; and
- \* an estimate from that person for the provision of the advice contemplated.

*c. Chairperson's permission*

The Chairperson:

- \* must not unreasonably withhold permission to obtain the advice; and
- \* must inform the Board of the request as soon as practicable.

*d. Use of advice*

Advice obtained at Thorn Group's expense under this Charter must be made available to Thorn Group.

## **12. Indemnity and Insurance**

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Each current director has entered into a deed with Thorn Group under which Thorn Group has agreed:

- \* to the extent permitted by law, to indemnify the director against liability arising out of the discharge of the director's duties;
- \* to maintain an insurance policy for the director against liability incurred in their capacity as a director for the term of the director's appointment and for 7 years following cessation of office (to the extent reasonably practicable and available in the market at reasonable cost); and
- \* to maintain all Board papers and other company documents relating to the director's period of appointment and to make those papers available to the director for a period of 7 years following the director's cessation of office.

Unless the Board otherwise determines, it is intended that each new director and the Company Secretary will enter into a similar deed with Thorn Group, prior to that new director and Company Secretary commencing office.



### **13. Meetings**

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*a. Notices of Meeting*

Where possible and time permits, Board and committee papers should be provided to directors at least 4 business days prior to the relevant meeting.

*b. Non-executive Director Meetings*

The non-executive directors of Thorn Group shall meet each year as they see fit for private discussions of management issues.

### **14. Maximum term of appointment of non-executive Board members**

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With the objective of there being in place a process for refreshing the Board, the maximum term of appointment is 10 years, with a preferred term of 9 years, subject to the Board resolving otherwise on a case by case basis. However, it is recognised that it would not be in the best interests of the Company for directors with similar appointment dates to all retire at once.

### **15. Board Skills Matrix**

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A Board Skills Matrix is to be developed setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

### **16. Professional Development**

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Thorn Group is to maintain a program for inducting new directors and provide professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

### **17. Review of this Charter**

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- \* A request for the review and/or clarification of this Charter should be made to the Chairperson;
- \* no changes to this Charter should be made without the approval of the Board; and
- \* if changes to this Charter are duly approved then, if appropriate, a transition period should be agreed covering the position of the current Board members.

Board reviewed November 2019