

**FARMERS' MUTUAL GROUP and
FMG INSURANCE LIMITED
BOARD CHARTER**

1. Role and Responsibilities of the Board

The Farmers' Mutual Group Act 2007 (the **Act**) and FMG's Constitution (the **FMG Constitution**) confer upon the Board¹ responsibility for Farmers' Mutual Group's affairs and activities. FMG Insurance Limited is a wholly owned subsidiary governed by the Companies Act and the FMG Insurance Limited's Constitution (**FMGIL Constitution**). The Directors of Farmers' Mutual Group also sit on the FMG Insurance Limited Board. The Board's role is to govern Farmers' Mutual Group and FMG Insurance Limited (collectively referred to as **FMG**) on behalf of and for the benefit of its Members and stakeholders. It has the responsibility to work to protect and enhance the value of FMG's assets and reputation. The Board directs and supervises the management and affairs of FMG, which is achieved through delegation to the Chief Executive and others who are charged with day-to-day leadership and management. In particular, the Board is responsible for:

- (a) Ensuring that FMG and the Directors act in accordance with the Act, the FMG Constitution, the FMGIL Constitution and any applicable legislation or regulation.
- (b) Ensuring that FMG's goals are clearly established and consistent with its mutual status and that strategies are in place to achieve them.
- (c) Ensuring all necessary steps are taken to safeguard and enhance FMG's financial position, brand, and reputation.
- (d) Reviewing and approving the 3 – 5-year strategic plan, the annual Business Plan and operating budget, material acquisitions, divestments, and capital expenditure.
- (e) Ensuring that Senior Management proactively seek to build FMG through innovation, initiative, technology, new products and services and the development of business and human capital.
- (f) Ensuring that FMG's financial statements are true, fair and legally compliant.
- (g) Determining FMG's Risk Appetite and profile in respect of the key risk areas of Insurance Risk, Investment Risk, Operational Risk, Conduct Risk and Strategic Risk, and ensuring that Senior Management has appropriate Risk Management and Compliance policies and internal controls in place.
- (h) Reviewing and approving the Financial Services Provider reporting on an annual basis or delegating said approval with subsequent ratification by the Board.
- (i) Reviewing and approving FMG's Annual Report to the Financial Markets Authority.
- (j) Reviewing and monitoring risks identified in FMG's Key Risks and approving FMG's Enterprise Risk Management Policy.

¹ The Board may appoint an Associate Director. This role has no legal obligations to discharge the duties of the Board.

- (k) Ensuring that FMG adheres to high a standard of ethics and corporate behaviour and governance.
- (l) Ensuring FMG adheres to the standards for Conduct and Culture, including ensuring that FMG complies with its obligations under any relevant Conduct legislation.
- (m) Providing leadership that sets the culture and direction for Wellbeing and Safety management and holding Management strictly and continuously to account for meeting same. This includes, but is not limited to:
 - i. Ensuring there is active commitment and consistent behaviour from the Board aligned to FMG's Values, goals, and beliefs;
 - ii. Taking a whole of Board approach to the governance of Wellbeing and Safety;
 - iii. Approving FMG's Wellbeing and Safety Policy;
 - iv. Understanding FMG's hazards, controls, and systems so the Board can assess if the systems are to the required standard;
 - v. Requiring at least bi-annual reporting from Management on Wellbeing and Safety strategy, operational priorities, and Wellbeing and Safety measures; and
 - vi. Reviewing serious incidents, non-compliance, and monitoring corrective actions.
- (n) Ensuring that there is an appropriate induction programme for new Directors and that ongoing education is available to maintain Directors' level of training.
- (o) Evaluating on a regular basis, processes and performance of the Board, the Board Committees, as well as the contributions of individual Directors.
- (p) Ensuring that all current and new Directors meet the criteria as set out in the Director Appointment and Re-appointment Policy and have the appropriate qualifications, skills, and experience to meet the requirements of their role.
- (q) Ensuring that all current and new Directors as well as Relevant Officers, including the Appointed Actuary meet the Fit and Proper requirements as set out in FMG's Fit and Proper Policy and execute the appropriate certificates evidencing the same.
- (r) Overseeing the process for the election/ appointment of Directors and the re-appointment of Directors retiring-by-rotation in accordance with the Member Director Election and Appointed Director Policy.
- (s) Ensuring that the Board has a full range of skills, knowledge, and experience to run FMG.
- (t) Making recommendations on Director remuneration for approval by the Membership.
- (u) Selecting appropriate Directors for the Board Committees.
- (v) Appointing the Chief Executive, setting the terms of the contract, regularly evaluating performance, reviewing, and setting remuneration and where necessary terminating the Chief Executive's employment.
- (w) Ensuring succession planning for the Chief Executive and Senior Management.
 - (x) Approving the Delegated Authority to the Chief Executive and Senior Management and approving transactions outside the scope of their delegation(s).

- (y) Establishing corporate governance principles for FMG, including but not limited to the Fit and Proper Policy, and monitoring FMG's compliance with them.

2. Composition and Structure of the Board

2.1. Number of Directors

The FMG Constitution stipulates that there must be a minimum of 5 and a maximum of 9 Directors. The Board has the authority to fix this number from time-to-time. The FMG Constitution provides for the appointment of non-Member Directors (**Appointed Directors**) if they have skills that the Board believes would be of benefit to the Members provided that the majority of Directors must be Members of FMG. The number of Directors, as well as their skills and background, should reflect the size and nature of the business.

The majority of Directors must be ordinarily resident in New Zealand Aotearoa.

2.2. Chair of the Board

The Directors shall elect one of the Member Directors as the Chair of the Board. The Chair will be reviewed and elected on an annual basis by the Board.

2.3. Election of Member Directors/ Appointed Directors

The Conduct and Culture Committee oversees the process for election of Member Directors, the specifics of which are set out in the Member Director Election and Appointed Director Policy. The Board may appoint Appointed Directors in accordance with the Member Director Election and Appointed Director Policy, but their appointment must be ratified by the Members at the first annual meeting after their appointment.

To be eligible for either election or appointment, the individual must demonstrate appropriate skills, qualities and experience as determined by the Board from time-to-time and be deemed fit and proper in accordance with FMG's Fit and Proper Policy. The Committee assesses a set of criteria determined by the Board and the Fit and Proper Policy and makes recommendations to the Board. The Board oversees the process. All Member Directors appointed by way of casual vacancy are required to be elected by the Members at the first Annual General Meeting after their appointment.

2.4. Term of Office

For a Member Director, there is no maximum term stipulated in either the Act or the FMG Constitution. However, the Board has agreed to limit a Director's tenure to 12 years. This tenure may be extended by the Board for a further term as deemed appropriate under specific circumstances such as:

- a. Their retirement would not be in the best interest of FMG;
- b. A suitable candidate to replace the 'end-of-tenure' Director has not been identified.

An Appointed Director is appointed for a maximum of three years after which time the Board may reappoint the Appointed Director, but which appointment must be ratified by the

Members at the first Annual General Meeting after their re-appointment. The tenure provisions set out in the Member Director and Appointed Director Policy also apply to Appointed Directors.

2.5. Retirement by Rotation

One third of Member Directors stand for re-election every year.

2.6. Induction

The Board ensures that new Directors are appropriately introduced to Management and the business and that they are acquainted with relevant industry knowledge. To facilitate their induction, new Directors are provided with a compilation of essential Board materials and information about FMG along with the opportunity to meet with key Management.

2.7. Independence

Board independence is important for effective governance. Directors should be free from any associations that could materially interfere with the exercise of independent judgment. The criteria for assessing independence includes, but is not limited to:

- 2.7.1. any financial or other obligation the Director may have to FMG;
- 2.7.2. whether or not the Director is or has been employed in an executive capacity by FMG or an associated person (as defined by Section 10 of the Insurance (Prudential Supervision) Act 2010 within the last three years;
- 2.7.3. whether the Director is, or has been, a provider of material professional services to FMG or any associated person in the last three years;
- 2.7.4. whether the Director has a material contractual relationship with FMG or any associated person;
- 2.7.5. any remuneration received in addition to the Director's fee, or related Directorships in FMG;
- 2.7.6. whether the Director is a related party as defined by Section 6 of the Insurance (Prudential Supervision) Act 2010.

A Director will not fail to be classified as independent simply because they are a Member or policyholder of FMG.

2.8. Conflicts of Interests

Directors must adhere to FMG's Code of Ethics which contains provisions relating to conflicts of interest. Directors must ensure that all conflicts of interest are disclosed to the Board and recorded in the Interests Registers for both Farmers' Mutual Group and FMG Insurance Limited. A Director who has an interest in a transaction entered into by FMG must conduct him or herself in accordance with the provisions of the Farmers' Mutual Group Constitution and the FMGIL Constitution.

3. Professional Advice, Indemnities, and Insurance

Directors are entitled to obtain independent professional advice relating to the affairs of FMG or their responsibilities as a Director. Directors are required to consult the Chair and the

General Counsel before obtaining such advice. The reasonable cost of such advice will be reimbursed by FMG.

In accordance with the FMG Constitution and FMGIL Constitution, FMG indemnifies and provides Directors with Liability insurance while acting in their capacities as Directors, to the fullest extent permitted by the Act.

4. Director Remuneration, Education and Evaluation

Directors are remunerated and reimbursed for their expenses in accordance with the provisions of the FMG Constitution.

Directors are expected to continually educate themselves to ensure that they can appropriately and effectively perform their duties.

Directors regularly assess the performance of the Board as well as conducting a regular programme of peer review of individual Directors. Feedback from Senior Management is incorporated into this process where appropriate.

Member Directors retiring-by-rotation will be assessed in accordance with the criteria and process set out in the Director Appointment and Re-appointment Policy and FMG's Fit and Proper Policy.

5. Delegation to the Chief Executive

The formulation and implementation of policies and reporting procedures for Management and the day-to-day management responsibilities, other than specifically contemplated herein, have been delegated to the Chief Executive and certain subsidiary companies as formal delegation terms. The Board monitors those delegations as part of the formal business of each Board meeting. The Chief Executive and the Boards of some subsidiary companies in turn implement a Delegation of Authority Policy which sets limits on certain decision making.

6. Composition and Role of Board Committees

Committees are established by the Board when using a sub-group of Directors focusing on areas or issues to enhance the Board's effectiveness and efficiency. Committees examine proposals and make recommendations to the full Board, but do not make decisions on behalf of the Board unless given prior authority by the Board to do so. They must act within the scope of the Committee's Charter. The scope of the Charter and the Committees' performance will be reviewed by the Board from time-to-time.

The current Committees are Risk and Audit Committee, Remuneration Committee, and Conduct and Culture Committee. The Board may create ad-hoc or other committees. The Board shall appoint the Chair and members of each committee.

7. Board Meeting Procedure

All meetings are convened and conducted in accordance with the relevant provisions of the Act and FMG Constitution.

The Board has sole authority over its agenda. Any Director may, through the Chair, request additional agenda items. The agenda will be set by the Chair in consultation with the Chief Executive and Company Secretary. Where appropriate, the Board receives background papers in relation to agenda items.

Written Minutes of each meeting are prepared and presented for approval at the next normal Board meeting. An official record of papers and presentations submitted to the Board is kept and made available to all Directors.

8. Charter Review

This Charter has been approved by the Board and will be reviewed annually.