



Board charter and relationship with management

Lovisa Holdings Limited

ACN 602 304 503

Adopted by the Board on 21st November 2014

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Attachment 1

Guidelines of the Board of Directors – Independence of Directors

Attachment 2

Performance evaluation process in relation to the Board and its Committees

1 Introduction

The Board of the Company has adopted this Board Charter to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

This Charter includes an overview of:

- Board composition and process;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board Committees.

The Board Charter and the charters adopted by the Board for its standing Committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment market.

This Charter is to be reviewed by the Board as required and at least annually.

2 Board composition

2.1 Board composition and size

- The Board is appointed by the shareholders. Non-executive Directors are engaged through a letter of appointment.
- The Board, together with the Remuneration and Nomination Committee, determines the size and composition of the Board, subject to the terms of the Company's Constitution.
- It is intended that the Board should comprise a majority of Non-executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds.
- The Board, together with the Remuneration and Nomination Committee, will review the skills represented by Directors on the Board and determine whether the composition and mix of those skills remain appropriate for the Company's strategy, subject to limits imposed by the Constitution and the terms served by existing Non-executive Directors.

2.2 Director independence

- The Board regularly reviews the independence of each Non-executive Director in light of information relevant to this assessment as disclosed by each Non-executive Director to the Board.
- The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence that is based on that set out in Box 2.3 of the ASX Corporate Governance Council's Principles and Recommendations (3rd edition) (see Attachment 1).

3 Board role and responsibilities

3.1 Board role

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensure shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

3.2 Board key responsibilities

The responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the Chief Executive Officer (**CEO**) and the CEO's direct reports;
- contributing to and approving management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing and reviewing corporate governance principles and policies; and
- performing such other functions as are prescribed by law or are assigned to the Board.

3.3 Reserved authorities

Matters which are specifically reserved for the Board or its committees include:

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment of directors to fill a vacancy or as additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.]

3.4 Directors

- Directors will act at all times with honesty and integrity and will observe the highest standards of ethical behaviour.
- Directors will ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests.
- Directors will be expected to participate in all induction and orientation programs and any continuing education or training arranged for them.
- The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair, or the Board as a whole.

4 Delegation of duties and powers

4.1 Relationship with management

- Directors may delegate their powers as they consider appropriate. However, ultimate responsibility for strategy and control rests with the Directors.
- Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.
- Directors are entitled to request additional information at any time when they consider it appropriate.

4.2 Role of the CEO

- The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by other officers to whom the management function is properly delegated by the CEO).
- The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO.
- The CEO is responsible for implementing strategic objectives, plans and budgets approved by the Board.

4.3 Delegation to Committees

- The Board from time to time establishes Committees to streamline the discharge of its responsibilities.
- Each standing Committee adopts a formal charter setting out the matters relevant to the composition, responsibilities and administration of the Committee.
- The permanent standing Committees of the Board are the Audit, Business Risk and Compliance Committee and the Remuneration and Nomination Committee.
- The Committees will assist the Board by focusing on the following activities:
 1. Audit, Business Risk and Compliance Committee:
 - appointment of the internal and external auditor;
 - oversee the Company's relationship with the internal and external auditor and the internal and external audit function generally;
 - assist the Board in relation to the reporting of financial information and oversee the preparation of the financial statements and reports;
 - oversee the Company's financial controls and systems and manage the process of identification and management of financial risk;

- review and report to the Board on the Company’s ongoing risk management program, including that adequate policies and procedures have been designed and implemented to manage identified risks;
 - review and report to the Board that a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
 - review and report to the Board that proper remedial action is undertaken to redress areas of weakness.
2. Remuneration and Nomination Committee:
- review and recommend to the Board the size and composition of the Board and criteria for membership, including review of Board succession plans and the succession of the Chair and CEO;
 - review and recommend arrangements for the executive Directors (including the CEO) and the executives reporting to the CEO;
 - review major changes and developments in the Company’s remuneration, recruitment, retention and termination policies and procedures for senior management;
 - review and recommend to the Board the remuneration arrangements for the Chair and the Non-executive Directors of the Board, including fees, travel and other benefits;
 - assist the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors;
 - review the senior management performance assessment processes and results;
 - review and approve short term incentive strategy, performance targets and bonus payments, including major changes and developments to the Company’s employee equity incentive plans; and
 - review the effectiveness of the Board Diversity Policy.
- The Board may also delegate specific functions to ad hoc Committees on an ‘as needs’ basis.
 - The powers delegated to these Committees are set out in Board resolutions.

5 Board process

5.1 Meetings

- The Board will meet regularly.
- Periodically, Non-executive Directors will meet without Executive Directors or management present.
- Directors will use all reasonable endeavours to attend Board meetings in person.
- The Company’s Constitution governs the regulation of Board meetings and proceedings.

5.2 The Chair

- The Board will appoint one of its members to be Chair.
- It is intended that the Chair should be an independent Non-executive Director.
- The Chair represents the Board to the shareholders and communicates the Board’s position.

5.3 The Company Secretary

- The Board will appoint at least one Company Secretary.
- The Company Secretary is accountable to the Board.

- The Company Secretary is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings.
- All Directors will have direct access to the Company Secretary.



Attachment 1

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Guidelines of the Board of Directors – Independence of Directors

Part 2 of the Company's Board Charter refers to the 'independence' of Directors.

Without limiting the Board's discretion, the Board has adopted the following guidelines to assist in considering the independence of Directors.

In general, directors will be considered to be 'independent' if they are not members of management (a Non-executive Director) and they:

- are not employed, or been previously employed in an executive capacity by the Company or another group member, and there has been a period of at least 3 years between ceasing such employment and serving on the Board;
- have not within the last three years been a partner, director or senior employee of a provider of material professional services to the Company or another group member;
- have not within the last three years been in a material business relationship (eg as a supplier or customer) with the Company or other group member or an officer of or otherwise associated directly or indirectly someone with such a relationship;
- are not a substantial shareholder of the Company, or officer of, or otherwise associated directly or indirectly with, a substantial shareholder of the Company;
- have no material contractual relationship with the Company or another group member, other than as a Director of the Company;
- do not have close family ties with any person who falls within any of the categories described above;
- have not been a Director of the entity for such a period that his or her independence may have been compromised; and
- are free from any interest, 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.

Materiality

The Board will consider the materiality of the Directors' interests, position, association or relationship for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles.



Attachment 2

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Performance evaluation process in relation to the Board and its Committees

- On an annual basis, Directors will provide written feedback in relation to the performance of the Board and its Committees against a set of agreed criteria.
- Each Committee of the Board will also be required to provide feedback in terms of a review of its own performance.
- Feedback will be collected by the Chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees.
- The Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of the Board performance review.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.