

BOARD CHARTER

1. PURPOSE

This Charter sets out the responsibilities, authorities, and processes of the Board of Directors (**Board**) of McGrath Limited (**McGrath** or the **Company**). The Board is governed by the constitution of the Company which was adopted on 10 September 2015 (**Constitution**), a copy of which is available on the McGrath's website www.mcgrath.com.au.

2. ROLE AND RESPONSIBILITIES

2.1 The Board is accountable to shareholders for the performance of McGrath and its related bodies corporate. The primary objective of the Board is to build long term value for shareholders with due regard to the legitimate interests of the Company's other stakeholders including customers, employees, creditors, suppliers and the communities affected by the Company's operations.

2.2 The Board has ultimate responsibility for providing good governance and sound strategic guidance for the Company and for effective oversight of management's performance, including management's implementation of the Company's strategic objectives and maintenance of the Company's values.

2.3 The Board may delegate appropriate powers and authority to the Chief Executive Officer to ensure effective day to day management of the Company.

2.4 The responsibilities of the Board include providing guidance and oversight in critical areas:

a) **Strategic Direction**

- considers and approves the strategy of the Company and monitors its implementation; and
- approves major investments and monitors the returns achieved.

b) **Financial Oversight**

- reviews and adopts an annual budget;
- monitors financial performance; and
- approves the annual and half year financial statements and reports on the advice of the Audit and Risk Committee.

c) **Risk Management and Internal Controls**

- approves the Company's risk management approach;
- reviews and monitors significant business risks and oversees how they are managed on the recommendation of the Audit and Risk Committee;
- monitors the adequacy, appropriateness and operation of internal controls including reviewing and approving the Company's compliance systems; and
- monitors compliance with key regulations.

d) **Managerial Oversight**

- appoints the Chief Executive Officer (**CEO**) and the Company Secretary in conjunction with the CEO;
- regularly reviews succession plans;
- evaluates the performance of the CEO and senior management;
- oversees the remuneration framework; and
- approves annual remuneration recommendations for the CEO and senior management on the advice of the Remuneration and Nomination Committee.

- e) **Delegations**
 - determines delegations to Committees, Subsidiary Boards and individual members of the Board;
 - determines delegations to Management; and
 - approves transactions in excess of delegated levels.
- f) **Corporate Governance**
 - approves the Company's corporate governance approach and monitors compliance;
 - considers, approves and endorses major policies of the organisation including a code of conduct which includes ethical behaviour and social responsibility;
 - provides continuous disclosure of information to the investment community;
 - makes available information shareholders can reasonably require to make informed assessments of the Company's prospects;
 - assesses its own performance and that of individual Directors;
 - selects, appoints and recommends appointment of new Directors to shareholders;
 - oversees the implementation of appropriate work health and safety systems; and
 - protects and oversees the enhancement of the reputation of the Company.

2.5 The Company's Constitution ultimately governs matters relating to the Board and its functions. This Board Charter explains and interprets the Constitution. The Constitution prevails to the extent of any inconsistency between this Board Charter and the Constitution.

3. COMPOSITION

3.1 Board composition and size

- a) The minimum number of directors is three and the maximum number of directors is eight unless otherwise resolved by the company in general meeting.
- b) The Board will comprise a majority of independent non-executive Directors, and on the recommendation of the Remuneration and Nomination Committee, will review the size and composition of the Board with a view to having an appropriate mix of skills. The independence of the independent non-executive Directors will be regularly reviewed. The Chair of the Board will also be an independent non-executive Director. The Chair will represent the Board to shareholders.
- c) 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 (which may include the matters listed in Schedule 1).
- d) All directors, other than the CEO (if appointed to the Board), are subject to re-election by rotation at least every three years. Newly appointed directors must seek re-election at the first annual general meeting of shareholders following their appointment.

- e) Upon appointment, a new Director will be given a formal letter of appointment from the Chair setting out the key terms, conditions and responsibilities of their position. This will include a confirmation from the Director that he or she has the necessary time to devote to the Board position.

4. MEETINGS

- 4.1 The Board will meet a minimum of six times a year, with additional meetings as required. Any Director is able to convene a meeting of the Board by contacting the Chair or the Company Secretary. A quorum for a meeting of the Board is three directors present and entitled to vote on any resolution that may be proposed at the meeting.
- 4.2 The Chair of the Board and the Company Secretary will co-ordinate the Board agenda.
- 4.3 Board papers should normally be distributed at least a week prior to each Board meeting.
- 4.4 In addition to the above meetings, the non-executive Directors meet at least once per year in the absence of executive Directors and management, and at such other times as they may determine. The independent Directors may also meet on their own as they determine.
- 4.5 Where deemed appropriate by Directors, meetings and subsequent approvals and recommendations may occur by written resolution or conference call or other electronic means of audio or audio-visual communication.

5. COMMITTEES

- 5.1 The Directors may delegate any of their powers to a Committee or Committees.
- 5.2 The Directors shall, at a minimum, establish the following Committees for which a formal charter will be adopted:
 - an Audit and Risk Committee; and
 - a Remuneration and Nomination Committee.
- 5.3 The Board may also delegate specific functions to ad hoc committees. The Board will, at least once each year, review the membership of each committee.

6. RELATIONSHIP WITH MANAGEMENT

- 6.1 The role of the Board in relation to management includes:
 - a) appointment and removal of the CEO and Chief Financial Officer (**CFO**);
 - b) ratifying the appointment and removal of senior executives (including executives who report directly to the CEO and COO);
 - c) approving the Company's remuneration policies and determining the appropriateness of remuneration and conditions of service of senior executives;
 - d) establishing and monitoring a plan for executive succession;
 - e) delegating the day to day decision making and implementation of approved strategy to the CEO; and
 - f) setting specific limits of authority for management.

7. ROLE OF CHAIR

7.1 The Chair is responsible for:

- a) leadership of the Board, including the effective discharge of its supervisory role;
- b) ensuring the efficient organisation and conduct of the Board's function and meetings.
- c) act as a point of liaison between the Board and management;
- d) assist the Board to fulfil its obligations under this Charter;
- e) lead the Board's annual performance assessment process;
- f) facilitate efficient and constructive discussions of critical issues and decisions;
- g) facilitate the effective contribution and development of all directors; and
- h) represent the Board in its communication to shareholders.

7.2 Should the Chair be absent from a meeting, the Deputy Chair, if one is appointed will act as Chair of the meeting. If a Deputy Chair has not been appointed, the Directors will appoint an acting Chair.

8. CHIEF EXECUTIVE OFFICER

8.1 The CEO:

- a) is accountable to the Board for the performance and management of the Company and its operations; and
- b) manages the Company, on a day-to-day basis, in accordance with the strategy, budgets, policies and delegations approved by the Board.

8.2 The Chief Executive Officer's performance is assessed annually in light of the achievement of goals, targets, and other key performance Indicators as determined by the Board.

8.3 With the agreement of the Board, the CEO appoints the executive team and other senior managers, and is responsible for their performance and succession planning.

8.4 The CEO has overall accountability for creating a safe work place for all employees and for conducting the Company's business in compliance with the Company's Code of Conduct, all applicable laws and regulations and in an honest and ethical manner.

9. COMPANY SECRETARY

9.1 The Board is responsible for the appointment and replacement of the Company Secretary and will appoint at least one Company Secretary.

9.2 The Company Secretary's responsibilities to the Board include to:

- a) co-ordinate and administer all Board meetings and business;
- b) coordinating all Board business, including board papers, minutes, communication with regulatory bodies and Australian Securities Exchange (**ASX**), and all statutory and other filings; and
- c) provide governance, administration, technical and other support to the Chair, Board committees and the directors.

10. EDUCATION, DEVELOPMENT AND PERFORMANCE EVALUATION

- 10.1 Each new Director will, upon appointment, participate in an induction programme. This will include meeting with members of the existing Board, Company Secretary, management and other relevant executives to familiarise themselves with the Company, its procedures, and Board practices and procedures.
- 10.2 On an ongoing basis, and subject to approval of the Chair, Directors may request and undertake training and professional development, as appropriate, at the Company's expense.
- 10.3 The performance of the Board as a group and of individual Directors is to be assessed each year. In particular, all Directors seeking re-election at an annual general meeting will be subject to a formal performance appraisal to determine whether the Board (with their absents themselves) recommend their re-election to shareholders.

11. CONFLICT OF INTERESTS – ALL DIRECTORS

- 11.1 The Board will agree, and Board members will abide by the following:
- a) declaring their interests as required under the Corporations Act, ASX Listing Rules and general law requirements;
 - b) unless the Directors (without a relevant personal interest) agree otherwise, where any Director has a material personal interest in a matter, the Director will not be permitted to:
 - receive any papers;
 - take part in any discussion concerning the matter; or
 - vote on the matter,
 - at a Director's meeting where that matter is being considered; and
 - c) Directors must not:
 - allow personal interests to conflict with the interests of the Company; or
 - disclose confidential information, unless the disclosure has been authorised by the Company or is required by law.
- 11.2 All Directors will abide by the terms of the Company's Securities Trading Policy.

12. ACCESS

- 12.1 The Board will allow the Company's external auditors to raise all issues directly with the Board.
- 12.2 Board members are not to be constrained or impeded from disclosing information to the external auditors in accordance with statutory and regulatory requirements and must be available to meet with the external auditors on request after notification to the Chair.
- 12.3 Each Director shall have the ability to consult independent experts where that Director considers it necessary to carry out their duties and responsibilities. Any costs incurred as a result of the Director consulting an independent expert will be borne by the Company, subject to the estimated costs being approved by the Chair in advance as being reasonable.

13. REVIEW OF CHARTER

The Board will review this Board Charter on a biennial basis, or as required, to determine its ongoing appropriateness.

SCHEDULE 1

GUIDELINES OF THE BOARD OF DIRECTORS - INDEPENDENCE OF DIRECTORS

Section 3.1 of the Board Charter refers to the 'independence' of Directors.

Without limiting the Board's discretion, the Board has adopted the following guidelines set out in the 4th Edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations, to assist in considering the independence of Directors.

1. Examples of interests, positions and relationships that might raise issues about the independence of a Director of the Company include if the Director:
 - a) is, or has been, employed in an executive capacity by the Company or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the Board;
 - b) receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
 - c) is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
 - d) is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
 - e) has close personal ties with any person who falls within any of the categories described above; or
 - f) has been a director of the Company for such a period that their independence from management and substantial holders may have been compromised.
2. In each case, the materiality of the interest, position or relationship needs to be assessed by the Board to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.

MATERIALITY THRESHOLDS

The Board will consider thresholds of materiality for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles. Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- a) The Board will determine the appropriate base to apply (e.g. revenue, equity or expenses), in the context of each situation.
- b) In general, the Board will consider a holding of 5% or more of the Company's shares to be material.
- c) In general, the Board will consider an affiliation with a business which accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular Director should be reviewed by the Board.
- d) Overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.