

# Board Charter

**Lantern Hotel Group**  
*(Comprising Lantern Hotel Group Limited and Lantern RE Ltd)*  
**(Lantern or Group)**

Adopted by the Board on 19 August 2016.

## 1. Introduction

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The Board is responsible for the corporate governance of Lantern. This Charter sets out the roles and responsibilities of the Board, which responsibilities are delegated to committees of the Board or to management, the framework for the operation of the Board as well as the membership of the Board.

## 2. Role and Responsibilities of the Board

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### 2.1 Role

The role of the Board is to provide overall strategic guidance for Lantern and effective oversight of management. The Board ensures that the activities of Lantern comply with its Constitutions, from which the Board derives its authority to act, and with legal and regulatory requirements.

To achieve this role, the Board has reserved to itself the following specific responsibilities.

### 2.2 Strategy

The Board is responsible for:

- (a) Overseeing the development of Lantern's corporate strategy through engagement with senior executives;
- (b) Reviewing and approving strategic and financial plans and performance objectives of the Group consistent with the corporate strategy, and reviewing the assumptions and rationale underlying the strategic plans and performance objectives; and
- (c) Monitoring implementation of the strategy plans.

### 2.3 Oversight of Management

The Board is responsible for:

- (a) The appointment and if appropriate, the removal of the Chief Executive Officer

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(CEO) and the Company Secretary;

- (b) Approving succession plans for key individuals;
- (c) Monitoring senior executives' performance and implementation of strategy against measurable and qualitative indicators, encouraging enhanced effectiveness and ensuring that appropriate resources are available;
- (d) Approving senior executive remuneration policies and practices;
- (e) Approving the Delegated Authority Policy;
- (f) Providing advice and counsel to management; and
- (g) Ensuring that senior executives supply the Board with information that will help the Board discharge its duties.

### **2.4 Securityholders**

The Board is responsible for:

- (a) Promoting effective communication with securityholders, including convening securityholders' meetings, listening and responding to securityholders views of management and of Lantern; and
- (b) Reporting to securityholders and compliance with relevant regulatory requirements.

### **2.5 Other Stakeholders**

The Board is responsible for:

- (a) Establishing and monitoring policies governing Lantern's relationship with other stakeholders and the broader community; and
- (b) Establishing and maintaining environmental, employment and occupational, health and safety policies and other regulatory and statutory requirements.

### **2.6 Ethics and Responsible Decision-Making**

The Board is responsible for:

- (a) Actively promoting ethical and responsible decision-making;
- (b) Establishing and maintaining a code of conduct to guide its directors and management in the practices necessary to maintain confidence in Lantern's integrity;
- (c) The system of accountability for unethical practices; and
- (d) Establishing and maintaining a diversity policy to outline Lantern's

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commitment to diversity and inclusion in the workplace, and set out a framework to achieve these diversity goals.

**2.7 Oversight of Financial Management and Capital Management**

The Board is responsible for:

- (a) Ensuring the integrity of Lantern's financial reporting;
- (b) Reviewing and approving annual and half-yearly financial reports;
- (c) Approving the annual financial budget of the Group;
- (d) Monitoring financial results on an ongoing basis;
- (e) Establishing and overseeing Lantern's accounting and financial management systems;
- (f) Considering removal or replacement of the external auditor;
- (g) Reviewing, approving and monitoring the progress of major capital expenditure, capital management, major acquisitions and divestitures and material commitments;
- (h) Approving decisions affecting the capital of Lantern, including capital structure or restructure and major financing arrangements; and
- (i) Determining the dividend policy of the Group and determining the basis upon which dividends will be paid.

**2.8 Compliance and Risk Management**

The Board is responsible for:

- (a) Overseeing Lantern's control and accountability systems and reviewing reporting under those systems;
- (b) Overseeing and regularly reviewing a system for identifying, assessing, monitoring and managing material risk throughout Lantern, and informing investors of material changes to Lantern's risk profile;
- (c) Overseeing and regularly reviewing systems of internal compliance, risk management and control, and systems of legal compliance that govern the operations of Lantern, and monitoring that they are operating effectively; and
- (d) Overseeing and regularly reviewing written policies, codes and procedures governing compliance and risk oversight and management.

**2.9 Remuneration Matters**

The Board is responsible for:

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- (a) The ongoing appropriateness and relevance of the remuneration framework for the chairman and non-executive directors;
- (b) Lantern's policy on remuneration for the CEO and senior executives, any changes to the policy and the implementation of the policy;
- (c) The total remuneration packages for the CEO/MD and senior executives (including base pay, incentive payments, equity based awards, superannuation and other retirement rights, employment contracts), any changes to remuneration packages and recommending proposed awards after performance evaluation procedures;
- (d) Lantern's recruitment, retention and termination policies for the CEO and senior executives and any changes to those policies;
- (e) Incentive schemes, if appropriate, for the CEO and senior executives;
- (f) Equity based plans, if appropriate for the CEO, senior executives and other employees; and
- (g) Where incentive or equity based plans are adopted, reviewing their terms, overseeing their administration and considering whether shareholder approval is required and ensuring payment and awards of equity are made in accordance with their terms.

**2.10 Nomination Matters**

The Board is responsible for:

- (a) Identifying the necessary and desirable competencies of directors and size of the Board;
- (b) Developing and reviewing the process for the selection, appointment and re-election of directors;
- (c) Ensuring that appropriate checks are carried out before appointing a person or putting them forward to shareholders for election as a director;
- (d) Identifying the appointment of new Board candidates, having regard to their skills, experience and expertise;
- (e) Development and maintenance of a director skills matrix;
- (f) Ensuring that Lantern meets its commitment to becoming a diverse and inclusive workplace;
- (g) Identifying ways to promote a culture supportive of diversity including recruitment from a diverse pool of candidates;
- (h) Reviewing nomination practices against measurable objectives (if established)

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for achieving gender diversity;

- (i) Developing and reviewing induction procedures for new appointees to the Board to enable them to effectively discharge their duties, including increasing their knowledge about Lantern and the industry within which Lantern operates;
- (j) Developing, implementing and reviewing continuing education measures to enhance director competencies and to update and enhance directors' knowledge and skills including on key developments affecting Lantern and the industry and environment in which it operates;
- (k) Overseeing the development and implementation of a process for the evaluation of the performance the Board, Board committees, and directors individually, using both measurable and qualitative indicators;
- (l) Reviewing the time required to be committed by non-executive directors to properly fulfill their duties to Lantern and whether non-executive directors are meeting these requirements;
- (m) Reviewing Board and senior executive succession plans and processes, including the CEO and other senior executive positions and being conscious of each director's tenure, to maintain an appropriate balance of skills, experience, expertise and diversity; and
- (n) Reviewing on an annual basis, the performance of the Board, its committees and individual directors as deemed appropriate.

**2.11 Specific Lantern RE Ltd (LREL) Obligations**

The Board is responsible for:

- (a) LREL has the role as the Responsible Entity for the Trust.
- (b) The primary responsibility of the Board of LREL is to operate the Trust and perform the functions conferred on it by the Trust Constitutions and the Corporations Act.
- (c) Ensure compliance with the conditions of Australian Financial Services License held by LREL.
- (d) Approve and monitor compliance with the Trust's Compliance Plans.
- (e) The Corporations Act 2001 (Cth) prescribes specific duties of LREL under section 601FC.

**3. Role and responsibilities of Chairman and Company Secretary**

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**3.1 The Chairman**

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The Chairman is appointed by the Board and should be where possible an independent, non-executive director and should not also perform, or have performed, the role of Chief Executive Office of the Group during the past three years. The Chairman is responsible for:

- (a) Leading the Board in reviewing and discussing Board matters;
- (b) Chairing Board meetings and securityholder meetings;
- (c) Ensuring the efficient organisation and conduct of the Board's function;
- (d) Briefing all directors in relation to issues arising at Board meetings;
- (e) Facilitating effective contribution by all directors and monitoring Board performance;
- (f) Overseeing that membership of the Board is skilled and appropriate for Lantern's needs;
- (g) Promoting constructive relations between Board members and between the Board and management;
- (h) Reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board; and
- (i) Establishing and overseeing the implementation of policies and systems for Board performance review and renewal.

### **3.2 Company Secretary**

The Company Secretary is appointed by the Board and is accountable to the Board through the Chairman on all corporate governance matters and the proper functioning of the Board.

The Company Secretary shall be available to all directors and board committees.

The Company Secretary is responsible for:

- (a) Organising Board meetings and director attendance;
- (b) Monitoring compliance with Board policy and procedures;
- (c) Coordinating the completion and dispatch of the Board agenda and briefing materials;
- (d) Preparing minutes of meetings and resolutions of the Board and committees;
- (e) Advising the Board and committees on governance matters;
- (f) Assist in organising and facilitating the induction of new directors; and

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- (g) Liaise with regulatory authorities as required.

#### **4. Delegations of Authority**

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##### **4.1 Delegations to Committees**

The ultimate responsibility for the oversight of the operations of Lantern rests with the Board. However, the Board may delegate its responsibility to committees to consider certain issues in further detail and then revert to and advise the Board.

The Board has established the following committee:

- Audit and Risk Management Committee.

This committee, and any other committee formed, will operate in accordance with its committee charter approved by the Board.

The Board will review the composition and effectiveness of the committees on an annual basis. The Board may also establish other committees from time to time to consider other matters of special importance.

Directors are entitled to attend committee meetings and receive committee papers. Committees will maintain minutes of their meetings and are entitled to obtain professional or other advice in order to effectively carry out their proper functions. The chairman of each committee will provide a report on committee meetings to the Board at the next full Board meeting.

##### **4.2 Delegation to CEO and Management**

The Board has delegated to the CEO the authority to manage the day-to-day affairs of the Group and the authority to control the affairs of Lantern in relation to all matters other than those responsibilities reserved to itself in this charter.

The Board may impose further specific limits on CEO delegations. These delegations of authority will be outlined in the Group's Delegated Authorities Policy and will be reviewed by the Board as appropriate from time to time.

The CEO has authority to sub-delegate to the senior management team.

#### **5. Membership**

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##### **5.1 Composition and Size**

The Constitutions of the Group provide that there will be a minimum of three directors and not more than 10 directors. The number of directors and the composition of the Board must at all times be appropriate to Lantern, to achieve efficient decision making and adequately discharge its responsibilities and duties.

Lantern will seek to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging

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issues of the business.

It is intended that an annual review of the performance of the Board, its committees and directors will be undertaken on an annual basis.

### **5.2 Appointment and Re-Election of Directors**

The process of selection and appointment of new directors to the Board is that the Board identifies and recommends candidates with appropriate skills, experience and expertise that best complement the Board's effectiveness. When the Board considers that a suitable candidate has been found, that person may be appointed by the Board to fill a casual vacancy in accordance with Lantern's constitutions but must stand for election by securityholders at the next annual general meeting.

Non-executive directors are appointed pursuant to formal letters of appointment setting out the terms and conditions of the appointment to ensure that directors understand their key responsibilities and the Board's expectations. Directors will be expected to participate in an induction or orientation program on appointment.

Directors must retire from office in accordance with the constitution and ASX Listing Rules. Retiring directors may be eligible for re-election. Before each annual general meeting, the Chairman together with the Company Secretary will determine those directors who are to be re-elected by securityholders. The Board will then determine if their re-election will be recommended to securityholders.

### **5.3 Independence**

All directors, whether independent or not, should bring an independent judgement to bear on all Board decisions.

A director is considered independent by Lantern if the director is a non-executive director who is not a member of management and is free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement or could reasonable be perceived to do so.

A director who:

- (a) Is a substantial securityholder of Lantern or an officer of, or otherwise associated directly with a substantial securityholder of Lantern;
- (b) Is employed, or has previously been employed in an executive capacity by Lantern, or another group member and there has not been a period of at least three years between ceasing that employment and serving on the Board;
- (c) Within the last three years, has been a principal of a material professional adviser or material consultant to Lantern or another Group member, or an employee materially associated with the service provided;

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- (d) Is a material supplier or customer of Lantern or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (e) Has a material contractual relationship with Lantern or another Group member other than as a director of Lantern;
- (f) Has close family ties with any person who falls within any of the categories described above; or
- (g) Has been a director of the entity for such a period that independence may have been compromised,

will not be considered independent, unless the Board is satisfied on reasonable grounds that the director is independent despite the existence of one or more of these circumstances.

The Board will regularly assess the independence of each director in light of the interests disclosed by them and formally document independence against the above criteria on an annual basis. Each independent director must provide the Board with any relevant information for this. The outcome of this assessment will be reflected in the corporate governance statement.

Any change to a director's independent status will be disclosed to the market in a timely fashion.

### 5.4 Conduct of Individual Directors

Directors must at all times act in accordance with legal and statutory requirements and discharge all their duties as directors. Directors must:

- (a) Discharge their duties in good faith and in the best interests of Lantern and for a proper purpose;
- (b) Act with care and diligence, demonstrate commercial reasonableness in their decision making and act with the level of skill and care expected of a director of a major company, including applying an independent and enquiring mind to their responsibilities;
- (c) Avoid conflicts of interest except in those circumstances permitted by the Corporations Act;
- (d) Not make improper use of information gained through their position as a director;
- (e) Not take improper advantage of their position as a director;
- (f) Notify other directors of a material personal interest when a conflict arises;
- (g) Make reasonable enquiries if relying on information or advice provided by

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others;

- (h) Undertake any necessary inquiries in respect of delegates;
- (i) Give Lantern or ASX all the information required by the Corporations Act; and
- (j) Not permit Lantern to engage in insolvent trading.

## **6. Board Process**

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### **6.1 Meetings**

All Board meetings will be conducted in accordance with Lantern's constitutions and the Corporations Act.

Board meetings are held when determined by the Chairman but no less than six meetings must be held each year.

Non-executive directors should arrange to meet at least twice each year to conduct non-executive discussions of Board and management issues.

All directors are generally expected to prepare adequately, attend and participate at each Board meeting. Directors are committed to collective decision-making, but have a duty to question and raise any issues of concern to them. Matters are to be debated openly and constructively amongst the directors. Individual directors must utilise their particular skills, experience and knowledge when discussing matters at Board meetings.

Directors must keep Board discussions and resolutions confidential, except where they are required to be disclosed.

### **6.2 Circular Resolutions**

Lantern's constitutions allow for urgent Board matters to be dealt with via a circular resolution. All directors entitled to vote on the resolution must approve circular resolutions. Directors may record their approval of a circular resolution by email. Circular resolutions will be noted in the business of the next formal Board meeting and will be noted in the Board minutes of the following meeting.

### **6.3 Independent Professional Advice**

Following consultation with the Chairman, directors may seek independent professional advice at Lantern's expense. Generally, this advice will be available to all directors.

### **6.4 Access to Management**

The directors have complete and open access to management following consultation with the Chairman and the CEO.

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**6.5 Notice, Agenda and Papers**

Unless otherwise agreed or considered necessary by the Chairman, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, will be circulated by the Company Secretary to each Board member and any other individual invited to attend, not less than three business days before the meeting but preferably five business days prior to the meeting.

**7. Board Performance and Review and Publication of Charter**

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The Board will coordinate a review of its performance on an annual basis, or earlier if circumstances dictate. The performance evaluation will have regard to the extent to which it has met its responsibilities in terms of this charter.

The Board is responsible for reviewing this charter and to determine its appropriateness to the needs of Lantern on an annual basis. The charter shall be amended by resolution of the Board.

This charter will be available on Lantern's website and the key features will be published in the Corporate Governance Statement.