



Board Charter

Healthzone Limited
ACN 118 715 772

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1. Introduction

- 1.1 This Board Charter sets out the functions and responsibilities of the Board and management of the Company.

2. Definitions

- (1) **Board** means the board of directors of the Company;
- (2) **CFO** means the Chief Financial Officer;
- (3) **Chairman** means the Chairman of the Board;
- (4) **Company** means Healthzone Limited ACN 118 715 772; and
- (5) **Director** means individual members of the board of directors of the Company.

3. Responsibilities of the Board

- 3.1 The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include:
- (1) oversight of the Company, including its control and accountability systems;
 - (2) appointing and removing the Chairman (or equivalent) for the ongoing management task of developing and implementing suitable strategies consistent with the company's policies and strategic direction, including approving remuneration of the CHAIRMAN and remuneration policy and succession plans for the CHAIRMAN;
 - (3) ratifying the appointment and, where appropriate, the removal of the CFO (or equivalent) and the Company Secretary;
 - (4) reviewing and determining the strategic direction and policies of the Company, the allocation of resources, planning for the future and succession planning;
 - (5) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
 - (6) monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;

- (7) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
 - (8) continuously monitoring and overseeing the Company's financial position; and
 - (9) approving and monitoring financial and other reporting.
- 3.2 Key responsibilities of the Board include the overseeing of the strategic direction of the Company, determining its policies and objectives and monitoring management performance. The Board adopts a three-year business plan and a 12 month operating plan for the Company. Financial results and general performance are closely monitored against the operating plan objectives.

4. Composition of the Board

4.1 Introduction

As an overall objective, the Board shall comprise an appropriate range of experience, skills, knowledge and perspective to enable it collectively to appoint, guide and supervise high quality management of the Company's business.

The composition of the Board is regularly reviewed to monitor that the appropriate mix of skills and background is maintained.

Retirement of non-executive directors should be at an age generally not exceeding 72 years.

4.2 Size

The Board currently comprises 3 directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.

4.3 Independent directors

- (1) The majority of directors of the Company are not required to be independent directors. The Chairman may be an executive director.
- (2) An independent director is a non-executive who is not a member of management and who:
 - (a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder of the Company (as defined in section 9 of the *Corporations Act*);
 - (b) has not, within the last 3 years, been employed in an executive capacity by the Company or another group

member, or been a director after ceasing to hold any such employment;

- (c) has not, within the last 3 years, been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- (d) is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- (e) has no material contractual relationship with the Company or another group member other than as a director of the Company;
- (f) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- (g) is free from any interest and any 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.

4.4 Expertise

- (1) The Board shall monitor that, collectively, it has the appropriate range of expertise to properly fulfil its responsibilities, including:
 - (a) accounting and finance;
 - (b) human resources;
 - (c) sales and marketing;
 - (d) distribution;
 - (e) retail;
 - (f) supply chain;
 - (g) business;
 - (h) the Company's industry; and
 - (i) CEO-level experience.
- (2) The Board shall review the range of expertise and performance of its members collectively and individually on a regular basis and monitor that it has operational and technical expertise relevant to the operations of the Company.

5. Appointment of Directors

- 5.1 Directors are appointed in accordance with the terms of the Company's Constitution.
- 5.2 Subject to the number of directors allowed under the Company's Constitution, a director may be appointed by an ordinary resolution of the Company in general meeting. In the situation of a vacancy occurring between such elections, the Board may appoint a replacement director. Such director will only hold office until the next Annual General Meeting of the Company.

6. Independent professional advice

- 6.1 To facilitate independent judgement in decision making, the Board recognises that there may be circumstances in which individual directors are entitled to independent professional advice at the Company's expense in the furtherance of their duties.

The Board is of the view that:

- (1) the Chairman has a right to obtain professional advice at the Company's expense up to a limit of \$50,000 (exclusive of GST). Any amount above this requires approval of the Board, which should not be unreasonably withheld;
- (2) any other Director is able to obtain advice at the Company's expense with prior approval of the Chairman, which shall not be unreasonably withheld and if the Chairman refuses to give approval, the full Board should be consulted for approval; and
- (3) all members of the Board will be made aware of the professional advice sought and obtained.

7. Allocation of responsibilities

7.1 Chairman

- (1) The Board elects the Chairman in accordance with the Constitution.
- (2) The Chairman may be a non-executive director.
- (3) The roles of the Chairman and the CEO are exercised by the same individual.
- (4) The position of Chairman will be reviewed by the Board at the first Board meeting following the Annual General Meeting. The Chairman authorises the expenses of all the other directors.
- (5) The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function, and for

the briefing of all directors in relation to issues arising at Board meetings.

- (6) The Chairman's specific duties are to:
 - (a) chair Board meetings. If the Chairman is not present within 15 minutes after the time appointed for the holding of that meeting, a director chosen by a majority of directors present shall assume this role;
 - (b) establish the agenda for Board meetings in consultation with the company secretary;
 - (c) oversee board minutes properly reflect board decisions;
 - (d) be the spokesperson for the Company at the Annual General Meeting and in the reporting of performance and profit figures; undertake all other public relations activities;
 - (e) be the major point of contact between the Board and the senior officers;
 - (f) be kept fully informed of current events on all matters which may be of interest to directors;
 - (g) regularly review with the senior officers as recommends, progress on important initiatives and significant issues facing the Company;
 - (h) provide mentoring for senior officers;
 - (i) commence the annual process of Board and director evaluation; and
 - (j) in accordance with the Constitution, have a casting vote.
- (7) The Chairman is not entitled to vote or participate in the deliberations on any matter in which he or she has a personal interest, unless there is compliance with the conflict of interest provisions under the Constitution of the Company.
- (8) The Chairman may be removed from office in accordance with the Company's Constitution.
- (9) The Chairman is responsible for the ongoing management of the Company in accordance with the strategy, policies and programs approved by the Board.
- (10) The Chairman's responsibilities include:
 - (a) developing with the Board, a consensus for the Company's vision and direction;
 - (b) constructing, with the Company's management team, programs to implement this vision;

- (c) negotiating the terms and conditions of appointment of senior executives for Board approval;
 - (d) appointing the senior management team;
 - (e) endorsing the terms and conditions of appointment of all other staff members;
 - (f) providing strong leadership to, and effective management of, the Company in order to:
 - (i) encourage co-operation and teamwork;
 - (ii) build and maintain staff morale at a high level; and
 - (iii) build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company;
 - (g) ensuring a safe workplace for all personnel;
 - (h) ensuring a culture of compliance generally, and specifically in relation to environmental matters;
 - (i) carrying out the day-to-day management of the Company;
 - (j) forming other committees and working parties from time to time to assist in the orderly conduct and operation of the Company;
 - (k) keeping the Board informed, at an appropriate level, of all the activities of the Company; and
 - (l) ensuring that all personnel act with the highest degree of ethics and probity.
- (11) The Chairman is formally delegated by the Board to authorise all expenditures as approved in the budget, subject to:
- (a) all Chairman remuneration, outside of normal monthly remuneration, must be authorised by the Chairman;
 - (b) all business related expenses paid to the Chairman must be authorised or ratified by the Chairman;
 - (c) while the Audit & Remuneration Committee must approve the terms and conditions of employees reporting to the Chairman, the appointment of individuals to specific management roles is the responsibility of the Chairman.

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7.2 Individual directors

In accordance with statutory requirements and in keeping with developments at common law, directors have the following responsibilities:

- (1) exercise their powers and discharge their duties in good faith and in the best interests of the Company;
- (2) use their powers of office for a proper purpose and not for personal advantage or for the benefit of another party;
- (3) use due care and diligence;
- (4) make a reasonable effort to become and remain familiar with the affairs of the Company;
- (5) attend all Board meetings and Board functions unless there are valid reasons for non-attendance; and
- (6) commit the necessary time and energy to Board matters to monitor that they are contributing their best endeavours in the performance of their duties for the benefit of the Company, without placing undue reliance on other directors to fulfil these duties.

7.3 Company Secretary

- (1) The Company Secretary is generally responsible for carrying out the administrative and legislative requirements of the Board. The Company Secretary holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively.
- (2) The Company Secretary is appointed in accordance with the Company's Constitution.
- (3) The specific tasks of the Company Secretary include:
 - (a) overseeing the Company's compliance program and ensuring all company legislative obligations are met;
 - (b) ensuring that the agenda and briefing materials for Board meetings are prepared and forwarded to directors in a timely and effective manner;
 - (c) recording, maintaining and distributing the minutes of all Board and Board subcommittee meetings as required;
 - (d) preparing for and attending all general meetings of the Company and ensuring that the correct procedures are followed;
 - (e) recording, maintaining and distributing the minutes of all annual and other general meetings of the Company;

- (f) meeting statutory reporting requirements in accordance with relevant legislation; and
- (g) any other services the CEO or Chairman may reasonably require.

8. CFO and Directors Assurances

8.1 It is the responsibility of both the CFO (or equivalent) and Directors to state in writing to the Board that:

- (1) the financial reports submitted to the Board present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with relevant accounting standards;
- (2) the statement provided in accordance with 8.1(1) above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- (3) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

9. Committee

9.1 To assist with the execution of its responsibilities, the Board has the authority to establish and determine the powers and functions of committees of the Board, including the Committee. The Committee is to document a charter, approved by the Board, setting out its responsibilities.

9.2 The Committee

- (1) The role and responsibilities, composition, structure and membership requirements of the Committee are set out in detail in a Committee Charter approved by the Board.
- (2) The Committee consists of a minimum of two members. The Committee chairman is not the Chairman of the Board.
- (3) The responsibilities of the Committee include:
 - (a) executive remuneration and incentive policies, including ensuring that the remuneration policies and practices of the Company are consistent with its strategic goals and human resource objectives;
 - (b) the Company's recruitment, retention and termination policies and procedures for senior management;
 - (c) incentive schemes;

- (d) superannuation arrangements;
 - (e) the remuneration framework for directors;
 - (f) assessment of the necessary and desirable competencies of Board members;
 - (g) evaluation of the Board's performance (excluding the Chairman);
 - (h) recommendations for the appointment and removal of directors;
 - (i) reviews and reports to the Board on the half yearly and annual reports and financial statements of the Company and associated entities;
 - (j) is responsible for nominating to the Board the external auditor and reviewing the adequacy, scope and quality of the annual statutory audit and half yearly statutory audit review;
 - (k) reviews the effectiveness of the Company's internal control systems;
 - (l) monitors and reviews the reliability of financial reporting;
 - (m) monitors and reviews the compliance of the Company with applicable laws and regulations;
 - (n) monitors the Australian Accounting Standards and Urgent Issues group consensus views;
 - (o) monitors financial risks and exposure of Company assets;
 - (p) monitors the risk management policy and plans;
 - (q) review the Company's Occupational Health and Safety obligations and the Company's compliance;
 - (r) the Company's insurance policies and coverage; and
 - (s) oversees the independence of external auditors and annually reviews the Parent's policy on maintaining the independence of external auditor,
- (4) The Committee operates in relation to:
- (a) reviewing on an annual basis the performance and salary of the executives including Executive and Employee Share Option Plan participation;
 - (b) the remuneration packages and other terms and conditions of appointment and continuing employment of senior executives; and

- (c) reviewing non-executive directors' remuneration within the maximum amount approved by shareholders.

The Committee meets as often as is necessary to carry out its responsibilities, but must, meet at a minimum of twice per year.

- (5) The Board believes that directors are properly rewarded through payment of a fee which is reviewed annually in the light of market conditions and has regard to the responsibilities placed on the directors by the legal and financial framework within which they act.
- (6) The members of this committee are not rewarded additionally for this role.

Dated: 28 September 2009