

CCCA DISCLOSURE OF GOVERNANCE PRACTICES

COMPOSITION OF THE BOARD OF DIRECTORS

The Rules of the Climate Control Companies Association Society (hereafter CCCA) state that the board shall comprise no less than five and no more than eight board members. Board members shall be elected for three year terms on a staggered basis (e.g., two directors retire each year and those offices are filled each year).

Ideally, one director shall be elected from each of the following industry sectors:

- Heat Pumps
- Mechanical Services (incorporating heating and air conditioning)
- Refrigeration
- Ventilation
- Suppliers and Wholesalers.

In the event that an industry sector above, for whatever reason, does not have a duly elected director, then the board may fill that vacancy with a Member from a different industry sector until the next annual election.

Primary industry sector identity is determined as per the Member's application and if any doubt exists, by the Board. To maintain balance of views and interests, each board member must be employed by a different company than any other board member.

Only Members may serve as directors except for any co-opted board members who 1) serve the specified length of time the board states upon appointment (no greater than a two year term, no more than three years in total) and 2) do not have to be a society member.

Up to three directors may be co-opted at any one time as the board sees fit.

In electing board members, the Society will use its best endeavours to ensure that the board as a whole possesses the skills and experience the Board has determined necessary for the board as a whole to possess having regard to the society's objects and plans. To assist, the Board will provide at each election a description of the skills and experience it has determined is necessary for the achievement of the Society's objects and plans and nominees will provide sufficient background information to the Secretary to enable him/her to summarise and provide such summary on the ballot papers. Failure to provide the Secretary such information may result in disqualification for office. Candidates must also provide a signed Declaration of Interests Disclosure which will be added to the Director Register of Interests and published with the ballot papers.

The board members will elect one of their number as Chair and another as Deputy Chair at the first board meeting following the Annual Meeting.

All directors will regularly disclose all real and potential conflicts of interest in the Register of Interests which is available to Members.

The board meets at such times and places and in such manner (including by telephone or video conference or any other format provided all directors can hear and be heard by all other directors at the same time) as it may determine.

No director shall serve for more than six consecutive years.

It is the policy of the Board of Directors that the Board at all times reflects the following characteristics.

Each Director shall at all times represent the interests of the members of the Society.

Each Director shall at all times exhibit high standards of integrity, commitment and independence of thought and judgment.

Each Director shall dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending Society meetings for members and meetings of the Board and Committees of which he or she is a member, and by reviewing in advance all meeting materials.

The Board shall meet the standards of independence from the Society and its management set forth under "Director Independence" below.

The Board shall encompass a range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to all of the Society's operations and interests.

The Board shall reflect the diversity of the Society's members, employees/contractors, licensees, guests and communities.

FUNCTIONS OF THE BOARD OF DIRECTORS

The responsibility of the Board of Directors is to supervise and direct the management of the Society in the interest and for the benefit of the Society's members. To that end, the Board of Directors shall, acting directly or through Committees, have the following duties:

- (1) Overseeing the conduct of the Society's business to evaluate whether the business is being properly managed;
- (2) Reviewing and approving the Society's major financial objectives, plans and actions;
- (3) Reviewing and approving major changes in, and determinations of other major issues respecting, the appropriate auditing and accounting principles and practices to be used in the preparation of the Society's financial statements;
- (4) Assessing major risk factors relating to the Society and its performance, and reviewing measures to address and mitigate such risks; and,
- (5) Regularly evaluating the performance and approving the budget for contracting of management services such as those provided by NZ Hevac Ltd.

The Board of Directors has delegated to the Executive Officer the authority and responsibility for managing the business of the Society in a manner consistent with the standards of the Society, and in accordance with any specific plans, instructions or directions of the Board.

The Executive Officer shall seek the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by the Society, including those that would make a significant change in the financial structure or control of the Society, the acquisition or disposition of any significant business or the entry of the Society into a major new line of business.

DIRECTOR INDEPENDENCE

It is the policy of the Board of Directors that all Directors shall be independent of the Society and of the Society's management. For a Director to be deemed "independent," the Board shall affirmatively determine that the Director has no material relationship with the Society or its affiliates or any member of the management of the Society or his or her affiliates. This determination shall be disclosed in the Conflicts Register for each annual meeting of the Society's members. In making this determination, the Board shall apply the following standards:

- A Director who is an employee, or whose immediate family member is an employee or contractor of the Society may not be deemed independent until three years after the end of such employment relationship.
- A Director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Society may not be deemed independent until three years after the end of the affiliation or the employment or auditing relationship.
- A Director who is an executive officer, contractor or employee, or whose immediate family member is an executive officer or general partner, of an entity that makes payments to, or receives payments from, the Society for property or services in an amount which may, in any single fiscal year exceed \$10,000 may not be deemed independent until three years after falling below that threshold.
- Further to the provision above that applies to goods and services generally, a Director who is, or whose immediate family member is, an executive officer, general partner or significant equity holder (i.e., in excess of 10%) of an entity that is a paid provider of professional services to the Society, any of its affiliates, any executive officer or any affiliate of an executive officer, may not be deemed independent.
- A Director who is, or whose immediate family member is, affiliated with or employed by a tax-exempt entity that receives significant contributions (i.e., more than 2% of the annual contributions received by the entity) from the Society, any of its affiliates, any executive officer or any affiliate of an executive officer within the preceding twelve-month period may not be deemed independent unless the contribution was approved in advance by the Board of Directors.

For purposes of these Guidelines, the terms:

- "affiliate" means any consolidated subsidiary of the Society and any other Society or entity that controls, is controlled by or is under common control with the Society, as evidenced by the power to elect a majority of the board of Directors or comparable governing body of such entity; and
- "immediate family" means spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than employees) sharing a person's home, but excluding any person who is no longer an immediate family member as a result of legal separation or divorce, or death or incapacitation.

Each Director shall be asked to provide the Board with full information regarding the Director's business and other relationships with the Society and its affiliates and with management and their affiliates to enable the Board to evaluate the Director's independence.

Directors have an affirmative obligation to inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as "independent." This obligation includes all business relationships between, on the one hand Directors or members of their immediate family, and, on the other hand, the Society and its affiliates or members of senior management and their affiliates, whether or not such business relationships are subject to the approval requirement set forth in the following provision.

BUSINESS RELATIONSHIPS WITH DIRECTORS

For the purpose of minimizing the risk of actual or perceived conflicts of interest (but without affecting any determination of Director independence pursuant to the preceding provisions), any monetary arrangement between a Director (including any member of a Director's immediate family) and the Society or any of its affiliates or members of senior management or their affiliates for goods or services shall be subject to approval by the Board of Directors as a whole.

DIRECTOR COMPENSATION

There shall be no compensation of Directors. Their time and service shall be viewed as their community contribution to the industry and the Society, and acknowledged as such. All actual and reasonable expenses directly resulting from and incurred during the course of their business activities on behalf of the Society shall be reimbursed for all activities pre-approved by the Board.

BOARD LEADERSHIP

The Board shall annually elect a Chair to chair the Board's meetings. The Society Secretary or Executive Officer shall, in the first instance, prepare the Agenda for Board meetings and the Chair shall review in consultation with the preparer the agendas and information needs relating to Board and Committee meetings.

In addition the Chair shall meet with the Executive Officer between Board meetings to monitor organisational performance and perform such other duties as the Board may from time to time delegate to assist the Board in the fulfilment of its responsibilities.

MANAGEMENT SUCCESSION AND REVIEW

At least once a year, the Executive Officer of the Society shall meet with the Board to review and discuss the service level agreement between the Society and the provider of management services.

BOARD MEETINGS

The Chair, in consultation with the other members of the Board, shall determine the timing and length of the meetings of the Board. The Board expects that monthly meetings at appropriate intervals are in general desirable for the performance of the Board's responsibilities. In addition to regularly scheduled meetings, unscheduled Board meetings may be called upon appropriate notice at any time to address specific needs of the Society.

While the Secretary or Executive Officer, and the Chair shall establish the agenda for each Board meeting, each Director shall be entitled to suggest the inclusion of items on the agenda, request the presence of or a report by any member of the Society's employees or contractors, or at any Board meeting raise subjects that are not on the agenda for that meeting.

The agendas for Board meetings shall provide opportunities for sector groups within the Society to make presentations to the Board during the course of the year. At one meeting each year, the Board shall review the long-term strategic plan for the Society and the principal issues that the Society expects to face in the future. Sufficient time shall be allocated for this to allow for questions by and full discussion with the members of the Board. At every Board meeting, the Board may meet in executive session without members of management (executive officers) present.

BOARD MATERIALS

Directors shall receive information and data that are important to their understanding of the businesses of the Society, in writing, and in sufficient time to prepare for meetings. This material shall be as brief as possible while still providing the desired information; it shall be analytic as well as informational; and it shall include highlights and summaries whenever appropriate. Directors may request that the Chair of the Board or appropriate management shall present to the Board information on specific topics relating to the Society and its operations. The Board of Directors may retain the services of independent advisors as it deems appropriate, and any such advisors shall report directly to the Board. The cost of any such advisors shall be borne by the Society.

Directors are encouraged to keep themselves informed with respect to the Society's affairs between Board meetings through direct individual contacts with senior management of the Society and its affiliates. The Secretary of the Society shall, whenever requested, assist in arranging and facilitating such contacts.

BOARD CONDUCT AND REVIEW

Members of the Board of Directors shall act at all times in accordance with the requirements of the Society's Conduct of Conduct for Directors. This obligation shall at all times include, without limitation, strict adherence to the Society's policies with respect to conflicts of interest, confidentiality, protection of the Society's assets, ethical conduct in all business dealings and respect for and compliance with applicable law. Any waiver of the requirements of the Code of Conduct for Directors with respect to any individual Director shall be reported to, and be subject to the approval of, the Board of Directors as well as declared in the Interest Register.

The Board shall conduct an annual review and evaluation of its conduct and performance based upon completion by all Directors of an evaluation form that includes, among other things, an assessment of:

- (a) the Board's composition and independence;
- (b) the Board's access to and review of information from management, and the quality of such information;
- (c) the Board's responsiveness to member concerns;
- (d) maintenance and implementation of the Society's standards of conduct; and
- (e) maintenance and implementation of these Guidelines.

The review shall seek to identify specific areas, if any, in need of improvement or strengthening and shall culminate in a discussion by the full Board of the results and any actions to be taken. The Secretary shall have responsibility for ensuring that the annual review and evaluation are carried out.

SELECTION OF NEW DIRECTORS

The Society members shall be responsible for selecting other Directors at the AGM. In selecting new directors, the members shall give the highest priority to meeting the standards and qualifications set forth at the beginning of these Guidelines and by the Board in their board succession planning. In this connection, the Board shall seek candidates whose service on other boards and other business demands will not adversely affect their ability to dedicate the requisite time to service on this Board. The Board believes that Directors who are full-time principles or employees of other companies should not serve on more than two other entity boards at a time. The Board may, however, make exceptions to this standard as it deems appropriate in the interest of the Society's members.

The Society Secretary shall assist the Board by providing appropriate orientation programs for new Directors, which shall be designed both to familiarize new Directors with the full scope of the Society's businesses and key challenges and to assist new Directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities. The Board and the Society's management shall similarly work together to develop and implement appropriate continuing education programs for the same purposes. The Board also recognizes that it is important for the Board to balance the benefits of continuity with the benefits of fresh viewpoints and experience. Therefore, each Director shall submit to the Board a letter of resignation upon the occurrence of any of the following:

- (a) Resignation or retirement from, or termination of, the Director's principal current employment/business interests, or other similarly material changes in professional occupation or association especially of sector group identity;
- (b) Completion of three years of service as a member of the Board, and completion of each three years thereafter.

SOCIAL RESPONSIBILITY, ACCOUNTABILITY AND TRANSPARENCY

The Society has a responsibility to the communities in which it operates, as well as to its members. To allow appropriate member as well as primary stakeholder review and input, the Society shall publish on its website an annual review of the governance practices using the New Zealand Principles and Guidelines as the standard for evaluation.

In addition, no less than annually, the Society shall update and publish on its website the following:

Findings and recommendations of a governance audit using the New Zealand Securities Commission's "Corporate Governance in New Zealand: Principles and Guidelines," consisting of nine principles and guidelines for maintaining a high standard of corporate governance;

Highlights of the strategic plan, if not the entire plan;

The current Society Rules and policies as appropriate;

Disclosure of Governance Practices; and

The Annual Report.

If the Board ascertains at any time that any of the Policies or Guidelines set forth herein are not in full force and effect, the Board shall take such action as it deems reasonably necessary to assure full compliance as promptly as practicable.