

This Board Charter sets out the principles for the operation of the Board of Directors of Easton Investments Ltd ACN 111 695 357 (the **Company**) and describes the functions of the Board, together with the functions delegated to management of the Company. It should be read in conjunction with the Company's Corporate Governance Statement which provides a detailed framework for the governance of the Company.

The Board is formed pursuant to the Company's constitution and is accountable to shareholders for the performance of the Company. The Board must, at all times act honestly, fairly and diligently in all respects in accordance with the laws applicable to the Company and the Company's Constitution, and must act in the best interests of the shareholders and other stakeholders.

Nothing in this Charter limits any powers or responsibilities of the Board.

## **1. Values**

This Board Charter and the charters adopted by the Board for the Committees established by the Board (the **Board Committees**) have been prepared in accordance with the Company's Constitution and adopted on the basis that good corporate governance procedures add to the performance of the Company and the creation of shareholder value.

## **2. Role**

### **2.1** The Board is responsible for:

- The overall corporate governance of the Company, including the establishment and empowerment of Board Committees to assist in its functions;
- Overseeing the business and affairs of the Company by:
  - i. establishing, with management, the strategic direction and financial objectives to be implemented by management;
  - ii. reviewing and approving the Company's financial objectives and major corporate plans and actions;
  - iii. approving capital and other expenditure in excess of limits delegated to management;
  - iv. approving capital management initiatives;
  - v. ensuring that adequate procedures are in place to identify the principal risks of the Company's business and ensure the implementation of appropriate systems to manage these risks;
  - vi. monitoring the performance of management directly and through its Board Committees;
  - vii. monitoring compliance with legal and regulatory requirements; and
  - viii. carrying out the functions specifically reserved to the Board and its Board committees under the policies of the Board and the charters of those committees.
- Communicating with the Company's shareholders and the community, at the appropriate times, the results of, and developments in, the business operations of the Company and always in compliance with the obligations contained in the Listing Rules of the ASX.

- Approving the Company's major human resources policies and overseeing the development strategies for senior and high performing executives.
- Approving the allotment of securities in the Company.
- Ensuring that appropriate procedures are in place so that the business of the Company is conducted in an honest, open and ethical manner.
- Establishing a formal and transparent procedure for the selection and appointment of new Directors to the Board.
- Regularly reviewing the succession plans in place for membership of the Board to ensure that an appropriate balance of skills, experience and expertise is maintained.
- Instituting internal procedures for evaluating the performance of:
  - i the Board;
  - ii individual Directors; and
  - iii the Board Committees.
- Ensuring Directors meet regularly to discharge their responsibilities as described above, at such meetings a quorum is considered to be two (2) Directors in accordance with the Company's Constitution.

**2.2** The Board of Directors also has power to:

- initiate and adopt corporate plans, commitments and actions;
- initiate and adopt changes in accounting principles and practices;
- provide advice and counsel to the Managing Director / Chief Executive Officer;
- instruct and review the actions of any Board Committee and the Managing Director / Chief Executive Officer;
- make recommendations to shareholders;
- meet from time to time without management being present; and
- act as to all other corporate matters not requiring shareholder approval.

**3. Functions**

In carrying out its role, the Board will operate for a proper purpose and in the best interests of the Company, in a manner reflecting the Company's values and in accordance with its approved Corporate Governance Statement, the Company's Constitution, the Corporations Act 2001 (C'th) (the **Act**) and other applicable regulations.

#### **4. Delegations**

Subject to the Board's ultimate responsibility for oversight under paragraph 2.1, the Board may delegate to its Board Committees, a Director or any other person in authority the performance of any of its functions and the exercise of any of its powers.

#### **5. Matters specifically reserved to the Board**

##### **5.1** The following matters must be approved by the Board:

- Financial governance policies including the approval of the budget, and any variations to it, annual and half yearly financial statements and the accounting policies used in their compilation;
- The determination and declaration of dividends;
- Nomination, appointment and remuneration of Directors;
- Appointment of Chairman and any Deputy Chair of the Board;
- Selection, appointment and removal of the Managing Director / Chief Executive Officer;
- The duration, remuneration and other terms of appointment of the Managing Director / Chief Executive Officer;
- Membership and terms of reference of Board committees;
- Assessment of Board, Managing Director / Chief Executive Officer's and other executive Directors' performance;
- Matters reviewed by the Board Committees;
- Selection and appointment of the external auditor;
- Corporate governance matters relating to the Board and senior management, and matters of principle regarding corporate governance; and
- All corporate governance policies.

##### **5.2** Secretarial and other functions of the Board include:

- Calling of shareholders' meetings
- Delegation of the Board's powers
- Allotment, calls or forfeiture of shares
- Disclosure of Directors' interests
- Initiating litigation
- Meeting continuous disclosure and due diligence obligations
- Disclosing and monitoring related party transactions
- Establishing a Share Trading Policy and overseeing compliance with that Policy
- Establishing and operating employee share plans as deemed appropriate.

## **6. Board composition and size**

- The Board is appointed by the shareholders. Non-executive Directors are engaged through a letter of appointment.
- In accordance with the Company's Constitution, the Board may comprise up to ten (10) individual directors with a minimum of three (3).
- The Board, together with the Nomination and Remuneration Committee, determines the size and composition of the Board, subject to the terms of the Company's Constitution.
- Directors will be classified as independent or non-independent and non-executive or executive.
- It is intended over time that the Board should comprise a majority of independent 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 Nomination and Remuneration Committee, will review the skills, experience, expertise and diversity represented by Directors on the Board and determine whether the composition and mix remain appropriate for the Company's strategy, subject to limits imposed by the Constitution.

## **7. Director independence and tenure**

- 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 a Director to be independent where he or she is not an executive of the Company and is free of any interest, position, association or relationship that might influence, or might reasonably be perceived to influence, in a material respect his or her capacity to bring independent judgment to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally. The Board has adopted a definition of independence that is based on the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) (see Attachment 1).
- The Board does not believe that it should establish an arbitrary limit on tenure. While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its operation and, therefore, an increasing contribution to the Board as a whole. Accordingly, tenure is just one of the many factors that the Board takes into account when assessing the independence and ongoing contribution of a Director in the context of the overall Board process.

## **8. Selection & Appointment of Directors**

Since good governance principles require independence, transparency and flexibility, the Board acknowledges the importance of Board composition and selection.

Accordingly, the Board regularly reviews its composition and the succession plans for directors. In selecting directors for appointment the Board seeks to ensure that the potential appointee's best match the needs of the Company and the Board.

Factors considered by the Board when considering a person for appointment as a director include:

- the ability to contribute to the overall effectiveness of the Board and work constructively with the existing directors;
- the integrity of the person;
- whether the person would be prepared to question, challenge and offer critiques;
- whether the person had a proven track record of creating value for shareholders;
- the commitment to the highest standards of governance;
- the nature of existing positions held by the appointee including directorships or other relationships and the impact that each may have on the appointee's ability to exercise an independent judgement; and
- whether the candidate will bring an independent point of view to the Board decision-making process.

The Board also considers:

- the skills, knowledge, experience and diversity required on the Board and the extent to which each is currently represented by current directors on the Board;
- the business and strategic needs of the Company;
- the need to cater for replacement directors ahead of scheduled retirements; and
- opportunities to obtain the services of particular persons with desirable skills at the time of their availability.

The Board routinely determines whether it is necessary to recruit any additional directors to the Board.

**9. Re-election of directors**

In accordance with the Company's Constitution, all new appointees to the Board, other than the Managing Director, must resign at the next annual general meeting after the date of their appointment and offer themselves for election by shareholders. Each director who has held office past the third annual general meeting or 3 years since the director's last election, whichever is longer, must retire, and if eligible, seek re-election. Any director seeking re-election will be required to be nominated by the Nomination and Remuneration Committee.

Approved by the Board: **21 February 2017**

## **Attachment 1**

### **Guidelines of the Board of Directors – 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 employed in an executive capacity by the Company or another group member, or, if they have been previously employed in an executive capacity by the Company or another group member, there has been a period of at least 3 years between ceasing such employment and serving on the Board;
- have not within the last 3 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 3 years been in a material business relationship (e.g. 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 other interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect 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 Company and its shareholders generally.

#### **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. Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- The Board will determine the appropriate base to apply (eg revenue, equity or expenses), in the context of each situation.
- In general, the Board will consider a holding of 5% or more of the Company's shares to be material.

- 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.
  - 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.
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