

BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868

ASX and Media Release

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The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 6, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000



UPDATED BOARD CHARTER

Enclosed is an updated Board Charter for BKI Investment Company Limited (ASX: BKI) (**BKI**), which has been approved by the Board of BKI.

A handwritten signature in black ink, appearing to read 'Jaime Pinto', is located below the text of the enclosed document.

Jaime Pinto
Company Secretary

Business Overview - BKI Investment Company is a research driven, Listed Investment Company, investing for the long term in profitable, high yielding, well managed companies. Listed on the Australian Stock Exchange (BKI.ASX) with the equity portfolio managed by Contact Asset Management, an investment in BKI gives shareholders access to a diversified Australian equity portfolio.

BKI INVESTMENT COMPANY LIMITED (BKI)
BOARD CHARTER



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1. Introduction

- 1.1 In carrying out its responsibilities and powers as set out in this Charter, the Board will at all times recognise its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of BKI's shareholders, as well as its employees, clients, and the community. It will work to promote and maintain an environment within BKI that establishes these principles as basic guidelines for all of its employees and representatives at all times.

2. Purpose and Role

- 2.1 The Board is responsible for:
 - (a) charting the direction, strategies and financial objectives for BKI and monitoring the implementation of those policies, strategies and financial objectives;
 - (b) monitoring compliance with regulatory requirements and ethical standards;
 - (c) appointing and reviewing the performance of the Chief Executive Officer or equivalent;
 - (d) appointing and administering the contractual performance of the Investment Manager; and
 - (e) appointing and administering the contractual performance of the Company Secretary and Chief Financial Officer (or provider of equivalent services);
- 2.2 In performing the responsibilities set out above the Board should act at all times:
 - (a) in a manner designed to create and continue to build sustainable value for shareholders; and
 - (b) in accordance with the duties and obligations imposed upon them by the Constitution and by law.

3. Powers

3.1 In addition to matters expressly required by law to be approved by the Board, powers specifically reserved for the Board are as follows:

- (a) appointment of a Chief Executive Officer and determination of their terms and conditions (including remuneration);
- (b) appointment of an Investment Manager, and determination of the terms and conditions of the Investment Management Agreement governing the appointment, including remuneration;
- (c) approval of any matters in excess of discretions that it may have delegated to a Chief Executive Officer, Investment Manager and/or other Company executives in relation to credit transactions, market risk limits and expenditure; and
- (d) Approvals of each of the following:
 - (i) the strategic plan, at least annually;
 - (ii) the budget, at least annually;
 - (iii) the remuneration and conditions of service including financial incentives for any executive directors and the Company Secretary, at least annually;
 - (iv) significant changes to organisational structure and the appointment of such senior officers or external advisors and managers as the Board may determine;
 - (v) the acquisition, establishment, disposal or cessation of any significant business of BKI;
 - (vi) the issue of any shares, options, equity instruments or other securities in BKI;
 - (vii) any public statements which reflect significant issues of BKI policy or strategy; and
 - (viii) any changes to the discretions delegated from the Board.

4. Specific Responsibilities

4.1 The Board has a specific responsibility for:

- a) contributing to the development of and approving the corporate strategy
- b) reviewing and approving business results, business plans, the annual budget and financial plans
- c) authorising and monitoring major investment and strategic commitments
- d) ensuring the maintenance of credit quality
- e) ensuring regulatory compliance
- f) reviewing internal controls

- g) approving the entity's statement of values and code of conduct to underpin the desired culture within the entity;
 - h) monitoring and influencing the culture, reputation and ethical standards of the Company
 - i) ensuring adequate risk management processes
 - j) monitoring the Board composition, director selection and Board processes and performance
 - k) overseeing and monitoring:
 - Organisational performance and the achievement of the Company's strategic goals and objectives
 - Compliance with the Company's code of conduct
 - Progress of significant corporate projects
 - l) monitoring financial performance including approval of the annual report and half-year financial reports
 - m) contributing to the performance assessment for the members of the senior executive team including the Chief Executive Officer and other senior management
 - n) appointing, managing and assessing the performance of any Investment Manager
 - o) ensuring there are effective management processes in place and approving major corporate initiatives
 - p) enhancing and protecting the reputation of the Company
 - q) reporting to shareholders
- 4.2 Responsibilities specifically delegated to Company Executives, the Company Secretary and/or the Investment Manager include:
- (a) organisation and monitoring of the investment portfolio
 - (b) managing organisational performance and the achievement of the Group's strategic goals and objectives
 - (c) management of financial performance
 - (d) management of internal controls
 - (e) appointment, management and assessing the performance assessment of other staff

5. Board Membership

- 5.1 The Board should preferably comprise a majority of non-executive directors who satisfy the criteria for independence as stated in Section 6 below.
- 5.2 The directors shall appoint a chair of the Board.

6. Independence

- 6.1 In accordance with Corporate Governance Principles and Recommendations (4th Edition) released by the Australian Stock Exchange Corporate Governance Council,

the examples of interests, positions, associations, and relationships that might cause doubts about the independence of a director include if the director:

- (a) is, or has been, employed in an executive capacity by the entity 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 entity;
 - (c) is, or has been within the last three years, in a material business relationship (eg as a supplier, professional advisor, consultant or customer) with the entity 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 advisor to, a substantial security holder of the entity. [In accordance with Section 9 of the Corporations Act, a substantial shareholder holds greater than 5% of BKI's issued capital];
 - (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 entity for such a period that their independence from management and substantial holders may have been compromised.
- 6.2 In each case, the materiality of interest, position, association or relationship needs to be assessed 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 interest of the entity and its security holders generally.
- 6.3 Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company is considered material. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the director's performance.
- 6.4 In any instance where an individual does not satisfy the criteria for being an independent director, that individual should be able to demonstrate an ability to bring to bear an unfettered and independent judgement towards their duties as a director of the Company.

7. Meetings

- 7.1 Board and Committee papers should where possible be provided to directors at least four days prior to the relevant meeting.
- 7.2 The non-executive directors should meet at least once each year for private discussion of management issues.
- 7.3 The Board should meet formally at least 6 times per year. In addition, the Board will meet whenever necessary to deal with specific matters needing attention between the scheduled meetings.

8. Board Committees

- 8.1 The Board may from time to time establish Committees to assist it in carrying out its responsibilities, and shall adopt Charters setting out matters relevant to the composition, responsibilities and administration of such committees, and other matters that the Board may consider appropriate.

- 8.2 The Board shall as a minimum establish the following Committees (with discretion as to whether some committees are joint committees), and shall adopt Charters setting out all matters relevant to the composition, responsibilities and administration of those Committees:

- (a) Audit & Risk Committee;
- (b) Investment Committee;
- (c) Remuneration Committee; and
- (d) Nomination Committee.

9. Self Assessment

- 9.1 The Board and committees shall each undertake an annual performance evaluation of themselves that:

- (a) compares the performance of the Board/committee with the requirements of its relevant Charter;
- (b) sets forth the goals and objectives of the Board/committee for the upcoming year; and
- (c) effects any improvements to the Board or committee charter deemed necessary or desirable.

- 9.2 The performance evaluation shall be conducted in such manner as the Board/committee deems appropriate.

- 9.3 The Chair of the Company must annually assess the performance of each director and meet privately with each director to discuss this assessment.

- 9.4 The Chair's performance is to be reviewed by the Board annually.

10. Procedures for Handling a Conflict of Interest

- 10.1 A Director who has:

- (a) a material personal interest in a matter which relates to the affairs of the company; or
- (b) any other interest which the Director believes is appropriate to disclose in order to avoid an actual conflict of interest or the perception of a conflict of interest,

may not be present at a meeting when the matter is being considered, and may not vote on the matter.

- 10.2 The minutes of the meeting should record the decision taken by the Directors who do not have an interest in the matter.