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# ASX Release:

## HKEx - Corporate Charter Update

Update provided pursuant to HKEx requirements

Authorised for lodgement by Board of Yancoal Australia Ltd

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# Yancoal Australia Ltd

## Board Charter

### Introduction

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The Board of Yancoal Australia Ltd (the **Company**) has adopted this Charter to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

### Structure and composition

The Board is appointed by the Shareholders in accordance with the Constitution of the Company. Under the Constitution, the Company must have at least four Directors.

Consistent with the Company's undertaking to the Treasurer of the Australian Federal Government, the Company must have at least two Directors whose principal place of residence is in Australia, at least one of whom is independent, as defined by the *Independence standard* set out below.

Subject to the Constitution of the Company and the requirements set out above, the Board will be of such size and competence necessary to understand and properly deal with the current and emerging issues of the business of the Company.

The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, and should ensure that the Directors devote sufficient time and make contributions to the Company that are commensurate with their role and board responsibilities.

The Board, together with the Nomination and Remuneration Committee, will review the skills represented by Directors on the Board and determine whether the composition and mix of those skills remain appropriate for the Company's business activities and strategy, subject to limits imposed by the Constitution and the terms served by existing Directors.

### Independence standard

Without limiting the Board's discretion, the Board has adopted the following guidelines to assist in considering the independence of Directors. In general, and subject to compliance with the independence criteria set out in applicable Listing Rules of the Australian Securities Exchange (**ASX**) and the Hong Kong Stock Exchange (**HKEX**) (collectively, the **Listing Rules**), a Director is considered independent if the Director:

1. is not, nor has within the last three years been, employed in an executive capacity by the Company or any of its child entities;

2. is not, nor has within the last three years been, a partner, principal, director or senior employee of a provider of material professional services to the Company or its holding company or any of their respective child entities;
3. is not, nor has within the last three years been, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
4. does not receive performance-based remuneration (including options or performance rights) from, or participate in, an employee incentive scheme;
5. does not hold more than 1% of the number of issued shares of the Company;
6. is not an officer of, or otherwise associated with, a substantial Shareholder of the Company;
7. is not, nor has been within the last three years an officer or employee of, or a partner, principal, director or employee of a professional adviser to, a substantial Shareholder of the Company;
8. does not have a material contractual relationship with the Company or any of its child entities other than as a director;
9. does not have, nor within one year prior to the appointment had any material interest in any principal activity of or is not or was not involved in any material business dealings with the Company, its holding company or their respective child entities;
10. does not have close personal ties with any person who falls within any of the categories described above;
11. has not been a director of the Company for such a period that his or her independence from management and substantial holders may have been compromised; and
12. is free from any other interest, position, association or relationship that 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 interests of the Company and its shareholders generally.

When determining the independence of a Director, the same factors should also apply to the Director's immediate family members<sup>1</sup>.

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.

The qualitative assessment will override any quantitative 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 or are likely to affect, or could appear to affect, their independent judgement.

## **Disclosure of independence**

Each independent non-executive Director must regularly, and at least annually, provide the Board all information relevant to their compliance with the *Independence standard* set out above. Independence will be assessed regularly by the Board together with the Nomination and Remuneration Committee, and at least annually at or around the time that the Board or the

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<sup>1</sup> "Immediate family member" of an individual means his/her spouse, child or stepchild, natural or adopted, under the age of 18 years.

Nomination and Remuneration Committee considers candidates for re-election to the Board. Every Nomination and Remuneration Committee member should abstain from assessing his/her own independence.

## **Authority and Delegation**

The Board's powers are set out in rule 8.7 of the Constitution and, subject to the Constitution and the Corporations Act, include:

- managing the business of the Company;
- all the powers of the Company that are not required to be exercised by the Shareholders; and
- approving the execution of any legal or financial documents on behalf of the Company (other than documents which require the approval of the Shareholders).

The Board may delegate any of its authority to —

- a Director;
- a committee of Directors;
- an employee of the Company; or
- any person.

However, Directors should be held accountable for their actions or inactions, and where appropriate, take the shareholders' and stakeholders' view into account in their decisions. The ultimate responsibility to monitor compliance with applicable legislation, business strategy and control rests with the Directors.

## **Role and Responsibilities**

### **Board Role**

The Board's role is (subject to approval by the Shareholders where required under the Constitution) to:

- demonstrate leadership;
- shape and monitor the Company's culture;
- establish the Company's purpose, values and strategy, and satisfy itself that these and the Company's culture are aligned;
- oversee Management in instilling the Company's values;
- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies, and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance periodically;
- protect and optimise Company performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- review and ensure compliance with the Company's values, code of conduct and governance framework so as to underpin a culture of acting lawfully, ethically and responsibly;

- ensure the fullest communication with Shareholders and the Company's recognition of their interest e.g. ensure Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs, subject to the applicable rules relating to continuous disclosure;
- monitor the Company's solvency; and
- monitor compliance with relevant laws.

## **Board key responsibilities**

The key responsibilities of the Board include the following (subject to approval by the Shareholders where required under the Constitution).

## **Direct the affairs of the Company**

- Review and approve the Company's strategic objectives and five-year Corporate Plan;
- Review and approve the annual production plan, annual sales plan, annual operational expenditure plan, annual capital expenditure plan and annual financial budget of the Company (after the Audit and Risk Management Committee has reviewed the framework for the preparation of the annual financial budget by Executive Committee and management's consultation process undertaken with the Majority Shareholder);
- Approve plans for the establishment of, and changes to, the internal management structure of the Company and monitoring the effectiveness of the Company's governance practices (including any delegated authorities);
- Ensure that an appropriate framework exists for relevant information to be reported to the Board and whenever required, challenging management and holding it to account;
- Ensure that the appropriate regulators in Australia, Hong Kong and the People's Republic of China (**PRC**) are notified (if required) and that relevant approvals as may be required are obtained in relation to investments and disposals of assets;
- Review and approve any single or accumulated investments in the last 12 months that are less than A\$100 million;
- Review and approve any single or accumulated disposals in the last 12 months of the assets of the Company that are less than A\$100 million;
- Review and approve any program for increasing the issued capital of the Company, subject to Shareholder approval where required under the Constitution and relevant disclosure requirements under the Listing Rules;
- Review and approve any significant operational and external communications by the Company other than any that are to be approved by the Shareholders (and other than any required by law to be made in a timeframe in which it is not practicable to obtain Board approval, for example ASX continuous disclosure notices);
- Review and approve the Company's financial accounts for submission to relevant Australian regulatory authorities, approval of the Majority Shareholder and for tabling at the Company's annual general meeting;
- Review and approve the Corporate Governance Statement, and any other reports that the Board is required by law or under the Listing Rules to approve;
- Approve the remuneration of the Company's external auditor for temporary work outside the scope of the annual audit;
- Determine the level of insurance and approve the purchase of any insurance for Directors and officers of the Company;
- Approve the creation of any reserve from the revaluation of any assets and the cancellation of any such reserve unless such creation or cancellation is required by any applicable laws, regulations or accounting standards;

- Propose the terms on which securities in the Company (including shares, options and rights) are made available to employees of the Company;
- Consider and where appropriate, recommend any changes to the Company's Constitution; and
- Oversee the Strategy and Development Committee's and the Health, Safety, Environment and Community Committee's activities.

All approval thresholds will be applied on a group basis whereby all acts and /or decisions of the Company's subsidiaries will be aggregated with the acts and/or decisions of the Company for this purpose (subject, in the case of a non-wholly owned subsidiary, to law and to and any rights of the other shareholders).

The Board may exercise all powers of the Company which are not required to be exercised by Shareholders under the Constitution.

### **Oversee the appointment, remuneration, and performance of senior management**

- Approve the appointment and removal of all members of the Executive Committee;
- Define and approve the role, duties, responsibilities and performance indicators for the Chair of the Executive Committee (CEC) and Chief Executive Officer (CEO);
- Set performance targets for and monitor performance of the CEC and CEO;
- Appoint and remove the Chief Financial Officer and the Company Secretary on the recommendation of the Chairman of the Board;
- Approve and monitor the process used to evaluate senior management performance;
- Approve the remuneration arrangements for all members of the Executive Committee (except for any Director) and senior executives;
- Ensure that the Company's remuneration policies are aligned with its purpose, values, strategic objectives and risk appetite;
- Ensure that all directors and senior executives are party to a written agreement setting out the terms of their appointment to the Board;
- Manage, together with the Nomination and Remuneration Committee, succession planning for the positions of CEC, CEO and other senior executives;
- Oversee the Remuneration and Nomination Committee's activities; and
- Approve the measurable objectives for achieving gender diversity developed by the Nomination and Remuneration Committee, and any changes to these objectives recommended by the Committee.

### **Set and monitor the Company's risk management strategy**

- Approve, review and monitor systems of internal control and risk management, financial reporting, the Company's human resources and remuneration policy, and other fundamental policies;
- Approve, review and monitor compliance with the Company's key corporate policies and protocols;
- Monitor the Company's operations in relation to, and compliance with, relevant laws and regulatory requirements, including the Listing Rules;
- Ensure that the Company has an appropriate risk management framework (for both financial and non-financial risks), and set the risk appetite within which the Board expects management to operate;
- Ensure the adequacy of resources, staff qualifications and experience, training

programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting;

- Oversee the Audit and Risk Management Committee's activities;
- Review and monitor the process that management has in place to identify and manage business opportunities and risks (including ESG risks);
- Evaluate and determine the framework for determining the extent, types and likelihoods of risk that are acceptable for the Company to bear; and
- Review with management the process for determining the key business risks, how they are being managed and what, if any, modifications in risk management strategies should be adopted.

## **Directors**

### **General Director responsibilities**

- Directors must act at all times with honesty and integrity and will observe the highest standards of ethical behaviour;
- Directors must ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests;
- Directors must use all reasonable measures to attend Board meetings in person. Directors unable to attend a Board meeting must inform the Company Secretary (who will then inform the Chair and other Directors) as soon as practicable and provide an explanation for non-attendance;
- Directors:
  - when new to the Board, will be expected to participate in all induction and orientation programs; and
  - will be expected to participate in any professional development opportunities arranged for them; and
- Directors must read and review all Board papers, including monthly reports, quarterly reports and annual reports as provided to them from time to time.

### **Directors' Duties under the *Corporations Act 2001* (Cth)**

- Directors must act with a degree of care and diligence that a reasonable person would exercise if they were a director in the Company's circumstances and had the same responsibilities of that director;
- Directors must act in good faith in the best interests of the Company and for a proper purpose; and
- Directors must not improperly use their position or information to gain an advantage for themselves or someone else or to cause detriment to the Company.

### **Effective Communication and Challenge**

- Ensuring a strong independent element on the Board is key to an effective board, which can effectively exercise independent judgment. The Board should promote an environment of open communication and effective challenge to encourage a range of views as a sound culture encourages transparency, open dialogues and proactive engagement within the Board and between (a) the management and the board, (b) the management and the employees at all levels, and (c) the management with all stakeholders.

- The Board should establish mechanisms to facilitate effective communications and ensure independent views and input are available to the Board in the decision-making process. The Board should review the implementation and effectiveness of such mechanism on an annual basis.

### **Access to independent advice**

- The Board collectively, and each Director individually, has the right to seek independent professional advice at the expense of the Company, subject to the approval of the Chair, or the rest of the Board as a whole.

### **Keeping non-English speaking directors informed**

- The Company will ensure that:
  - board papers or any other key corporate documents are distributed to a Director in a language the Director speaks and understands where that Director does not speak and understand English; and
  - a translator is available at Board meetings (whether in person, by telephone or otherwise) to assist in translating the content of all discussions at those meetings to ensure all Directors can understand and contribute to the discussions at those meetings.

### **The Chair**

- Members holding a majority of the issued shares of the company conferring the right to vote (**Majority Shareholders**) may nominate a Director to the office of Chairperson of the Board and may elect one or more Directors to the office of Vice Chair of the Board by writing delivered to the Company; and
- One Vice Chair, who is nominated by the Majority Shareholder, will be appointed by the Board to be the CEC and assume the duties of the CEC as provided for in this Charter and the Executive Committee Charter.

### **Duties of the Chair**

The Chair will —

- chair Board meetings (unless otherwise delegated to another Director by the Chair);
- establish the agenda for Board meetings;
- chair meetings of Shareholders, including the Annual General Meeting of the Company and ad hoc meetings of Shareholders (unless otherwise delegated to another Director by the Chair);
- be kept fully informed by senior management of all material matters which may be relevant to Directors, in their capacity as Directors of the Company;
- provide guidance and mentoring to the CEC and CEO;
- ensure the process of Board evaluation is conducted;
- oversee investor relationship management and overall investor communication strategy or delegate it to other Directors and/or senior managers;
- exercise the casting vote if the votes are equal on a proposed resolution. If the Chair is not present at a meeting of Directors, the Chair may, in his or her discretion, nominate another Director to have a casting vote in the Chair's absence by written notice to the Board; and



- fulfil such other responsibilities as are allocated by the Constitution or the Listing Rules from time to time.

### **Duties of the Vice Chairs**

The Vice Chairs will —

- chair Board meetings if the Chair is not able to be present at the meeting;
- chair meetings of Shareholders, including the Annual General Meeting of the Company and ad hoc meetings of Shareholders if the Chair is not able to be present at the meeting; and
- fulfil such other responsibilities as are allocated by the Chair from time to time.

### **The Company Secretary**

- The Board will have the power to appoint and replace the Company Secretary.
- The person(s) acting as Company Secretary must comply with the requirements under applicable laws and applicable Listing Rules.

### **Duties of the Company Secretary**

- The Company Secretary is accountable directly to the Board, through the Chair;
- The Company Secretary is responsible for ensuring compliance by the Company, directors and senior management of the Company with the Company's Constitution, the provisions of the Corporations Act and other applicable laws and the Listing Rules as they relate to the Company;
- The Company Secretary is responsible for keeping abreast of the developments in laws, rules and regulations that may affect the Company's business operations, and briefing the Board on these developments;
- The Company Secretary is responsible for ensuring that the board receives ongoing training on regulatory developments that are relevant to the Company's business developments and status as a listed company;
- The Company Secretary is responsible for the provision of corporate governance advice to the Board;
- The Company Secretary is responsible for ensuring that the Company's books and registers required by the Corporations Act, the Hong Kong Securities and Futures Ordinance (SFO) and other applicable laws are established and properly maintained;
- The Company Secretary is responsible for ensuring that all notices and responses are lodged with ASIC, ASX and HKEX on time;
- The Company Secretary is responsible for organising and attending Shareholder meetings and Directors' meetings, including sending out notices, preparing agendas, marshalling proxies and compiling minutes; and
- All Directors will have direct access to the Company Secretary.

## **Meetings**

Meetings of the Board should be held at least four times per year to ensure that the Directors are kept informed on a timely basis of all material matters affecting the Company, or as frequently as required.

The Chair of the Board or any three Directors may, whenever they think fit, call a meeting of the Directors.

No business may be transacted at a meeting of directors unless a quorum of Directors is present at the time the business is dealt with. Unless the directors decide differently, at least half of the Directors constitute a quorum. If there is a vacancy in the office of a Director, the remaining Directors may act provided that if their number is not sufficient to constitute a quorum, they may only act in an emergency or to increase the number of Directors to a number sufficient to constitute a quorum.

The Company should ensure Directors can participate in Board proceedings in a meaningful and effective manner. Directors should be provided, in a timely manner, with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities. Directors should receive Board papers and related material with sufficient time to read and review prior to the relevant meeting.

The Chair of the meeting should ensure, through the CEO, the availability and, if necessary, the attendance of any member of executive management or adviser at Board meetings as required or appropriate.

The Company's Constitution governs the regulation of Board meetings and proceedings.

The Chair of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors.

## **Minutes**

Minutes of proceedings of Board meetings will be kept and prepared promptly by the Company Secretary following the Board meeting.

Minutes of Board meetings shall record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed.

Draft versions of minutes of such meetings will be distributed to the person who chaired the meeting for his / her comment within a reasonable time after such meetings.

Minutes of Board meetings will be tabled at a subsequent Board meeting for all Directors to review and approve. Finalised minutes of meetings should be made available to all Directors upon request.

The register of minutes will be kept by the Company Secretary and be open for inspection on reasonable notice by any Director.

## **Circulating resolutions**

Urgent matters that cannot wait until the next Board meeting can be dealt with by a circulating resolution. Where a substantial shareholder of the Company or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by holding a Board meeting instead of by circulating resolutions.

Circulating resolutions should be approved by the Chair before being circulated and should normally be preceded by a telephone meeting if considered necessary.

## **Conflicts of interest**

As a general principle, each Director must bring an enquiring, open and independent mind to Board meetings, listen to the debate on each issue raised, consider the arguments for and against each motion and reach a decision that he or she believes, to be in the best interests of the Company as a whole irrespective of any actual or possible conflict of interest and in accordance with the Company's code of conduct and policies relating to conflicts of interest.

## **Delegation to Board committees**

The Board may establish the following standing committees —

- Audit and Risk Management Committee;
- Nomination and Remuneration Committee;
- Strategy and Development Committee; and
- Health, Safety, Environment and Community Committee.

The Board will appoint the Chair of each of these standing committees.

The Board will consider and approve the charters of these standing committees.

These committees are designed to consider specific matters and make recommendations to the Board. The Board must make an independent assessment of the recommendations, having regard to the Board's knowledge of the business and risks of the Company and the complexity of the structures and operations of the Company.

The Board may from time to time establish other committees to streamline the discharge of its responsibilities.

Copies of any committee minutes and agendas (and where appropriate, papers) are made available to the Board in respect of each committee.

## **Establishment of Independent Board Committee**

The Board will establish a committee comprised of independent directors to advise shareholders where required under the Listing Rules or applicable laws or regulations.

## **Delegation to executive management**

Management must through the CEC and CEO supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

Any Director may communicate directly with employees of the Company but such communications are to be made having regard to the efficient operation of the Company and the need to preserve and maintain an effective chain of command and the confidentiality of the Board's deliberations.

Where individual Directors wish to communicate with executive management or with other employees or representatives of the Company in relation to Company business, the Chair must

whenever reasonably practicable facilitate those communications.

### **Role of the CEC**

- The CEC will be the Chair of the Executive Committee;
- The CEC has responsibility for monitoring the implementation of strategic objectives, plans and budgets approved by the Board;
- The CEC has responsibility for calling and chairing the Executive Committee meetings, as outlined in the Executive Committee Charter;
- The CEC is responsible for approving any proposals to be referred to the Board; and
- The CEC will fulfil such other responsibilities as delegated to him/her by the Board from time to time.

### **Role of the CEO**

- The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by other senior executives to whom the management function is properly delegated by the CEO);
- The Board approves corporate objectives for the CEO to satisfy and develops the duties and responsibilities of the CEO;
- The CEO is responsible for implementing strategic objectives, plans and budgets approved by the Board;
- The CEO has overall responsibility for the operations of the Company (other than those items that have been delegated to the CEC);
- The CEO will fulfil such other responsibilities as delegated to him by the Board from time to time; and
- The CEO is accountable to the Board and reports to the Chairman of the Board and the CEC.

### **Role of the Executive Committee**

- The Executive Committee comprises the CEC, the CEO, another Director appointed by the Majority Shareholder (if any), the Chief Financial Officer, the EGM of Operations, the EGM Marketing & Logistics, the Company Secretary, Chief Commercial Officer, EGM of Audit and Risk and any other senior executives that the Board resolves will be members of the Executive Committee;
- The role of the Executive Committee is to:
  - be a discussion forum for senior executives;
  - be an additional forum to facilitate communication between senior executives and the Board; and
  - fulfil the responsibilities set out in its charter, as amended by the Board from time to time.

## **Remuneration**

The level of Director remuneration will be determined by the Majority Shareholder so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type. The Majority Shareholder will consider recommendations made by the Nomination and Remuneration Committee. In general, no equity-based remuneration (e.g. share options or grants) with performance-related elements shall be granted to independent non-executive directors as this may lead to bias in their decision making and compromise their

objectivity and independence.

## **Performance evaluation**

- On a periodic basis, Directors will provide written feedback in relation to the performance of the Board, its committees and individual Directors against a set of agreed criteria;
- At such time each committee of the Board will also be required to provide feedback in terms of a review of its own performance;
- Feedback will be collected by the Chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its committees;
- The CEC and CEO will also provide feedback from senior executives in connection with any issues that may be relevant in the context of the Board performance review;
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

## **Code of Conduct**

The Company has a code of conduct which sets out the way it conducts its business and guides the behavior of everyone in the Company (including employees, contractors and directors) by clearly stating the Company's firm commitment to operating legally, honestly, and to the highest level of integrity and ethical standards in all business practices. A copy of the Company's code of conduct is available via the electronic Yancoal intranet and the Company's website.

Any material breaches of the Company's code of conduct should be reported to the Board or the Audit and Risk Management Committee.

## **Access to Board charter**

This Charter will be provided to each Director of the Company, senior executives, internal and external auditors and shareholders and copies will be available on request to the Company Secretary. The Charter is available via the electronic Yancoal intranet and the Company's website.

## **Review of Board charter**

The Board will, at least once in each financial year, review this Charter, and the charter of each of the committees, and make any amendments it determines are necessary or desirable.

# Yancoal Australia Ltd

## Audit and Risk Management Committee

The Audit and Risk Management Committee's objectives are to:

- help the Board in relation to the reporting of financial information;
- advise on the appropriate application and amendment of accounting policies;
- make evaluations and recommendations to the shareholders of the Company regarding the external auditor;
- recommend to the Board the remuneration of the external auditor for shareholder approval as required in accordance with the Constitution;
- provide a link between the Board and the external auditor and management;
- ensure that the Board, directors and management are aware of material risks facing the business;
- ensure the systems in place to identify, monitor and assess risk are appropriate and operating effectively; and
- assess the independence of the external auditor.

The Committee makes recommendations to the Board. It does not have any power to commit the Board or management to these recommendations. The Committee has unrestricted access to executives of the Company, and to the internal and external auditors in order to fulfil its purpose and undertake its duties.

The Committee plays a key role in helping the Board oversee financial reporting, internal control structure, risk management systems and the internal and external audit functions. The Committee is also intended as a mechanism for the auditor to communicate informally and confidentially about these issues and about potentially troublesome matters at a relatively early stage of audit, and to broach sensitive issues in an uninhibited fashion.

The Committee oversees —

- the preparation of, and the integrity of the group's financial statements;
- the risk management framework;
- the adequacy of the accounting system and internal control environment;
- the adequacy of the systems for compliance with relevant laws, regulations, standards and codes;
- the effectiveness of financial controls and systems and the audit process;
- the process for identification and management of financial risk and any improvements that can or should be made to the Company's internal controls, policies and financial disclosures;
- the Company's relationship with the external and internal auditor as well as the external and internal audit function;
- the Chief Executive Officer's (CEO) compliance with applicable delegation of authority limits;
- the frequency, significance, and propriety of transactions with related parties; and

- the integrity and quality of the Company's financial information including financial information provided to the Majority Shareholder, ASIC, the Australian Securities Exchange (ASX), the Hong Kong Stock Exchange (HKEX) and other regulatory bodies.

## **Membership**

### **Composition and quorum**

The Committee will comprise of a minimum of three directors, all of whom must be non-executive directors and a majority of whom must be independent. The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution. The Committee members must be financially literate and have an understanding of the industry in which the Company operates and at least one independent non-executive director must have appropriate professional qualifications or accounting or associated financial management expertise.

A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from the date the person ceases:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is the later. The Board will appoint the Chair of the Committee. The Chair must be an independent non-executive director and must not be the Chair of the Board.

A Committee quorum will comprise a majority of the Committee members of whom at least one shall be an independent non-executive director.

The Chair of the Committee (or in his or her absence, his/her duly appointed delegate) shall attend the Company's annual general meetings and be prepared to respond to any shareholders' questions on the Committee's activities.

### **Removal or resignation**

Members of the Committee may withdraw from membership by written notification to the Board. The Board may appoint additional directors to the Committee or remove and replace members of the Committee by resolution. If a member of the Committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.

### **Secretary**

The Company Secretary will be the secretary of the Committee.

### **New candidates**

Having regard to the skills required and the skills currently represented on the Committee, the

Committee, through the Nomination and Remuneration Committee will implement a process for the identification of suitable director candidates for appointment to the Committee. In determining the process for the identification of suitable candidates, the Committee will ordinarily ensure that a search is undertaken by an appropriately qualified independent third party acting on a brief prepared by the Committee which identifies the skills sought.

The Committee, in consultation with the Nomination and Remuneration Committee, will make recommendations to the Board on candidates it considers appropriate for appointment.

### **Induction of new members**

New Committee members must be given a copy of this Charter, together with sufficient information about the Company and its:

- business operations and industry in which it operates;
- financial performance;
- risk management system;
- internal control system;
- financial reporting policies including related-party issues;
- legal and regulatory requirements including external reporting and compliance responsibilities;
- Code of Conduct; and
- unusual transactions.

All material previously provided to Committee members on matters still before the Committee must also be given to new members.

## **Meetings**

### **Frequency and calling meetings**

The Committee will meet with the level of frequency required to ensure it can undertake its role effectively. The Chair will convene at least four meetings of the Committee each year and any additional meetings that the Chair considers necessary or appropriate to carry out the Committee's responsibilities.

At least once each year, the Chair will convene a meeting of the Committee to meet with the external and internal auditors separately, without any executive directors or management being present.

In addition, the Company Secretary must call a meeting of the Committee if requested by any Committee member, the Board, or the external auditor.

### **Calling meeting and notice**

Any Committee member or, at the request of a Committee member the Company Secretary, may call a meeting of the Committee. A notice of each meeting confirming the date, time, venue and agenda will be forwarded to each Committee member (with a copy to all Board members) together with relevant supporting documents in a timely manner.



## **Advice**

The Committee will have access to employees of the Company and to external advisers. A request for external advice must be made through the Company Secretary.

## **Report to Board**

The Chair of the Committee or his / her delegate will provide a verbal report of highlights of the meeting to the Board at the Board meeting following each meeting of the Committee (to the extent considered necessary). This report should contain any recommendations identified by the Committee to the Board. The report should also comment on the outcome or updates of any matters referred to it by the Board.

## **Minutes**

Minutes of proceedings and resolutions of Committee meetings will be kept and prepared promptly by the Company Secretary following the Committee meeting.

Minutes of Committee meetings shall record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by Committee members or dissenting views expressed.

Draft minutes of such meetings will be distributed to the Chair of the Committee for his / her comment within a reasonable time after such meetings.

Minutes of Committee meetings will be tabled at a subsequent Committee meeting for all Committee members to review and approve.

The register of minutes will be kept by the Company Secretary and be open for inspection on reasonable notice by any Committee member and any Director of the Board.

## **Invitational attendance**

The Committee, if considered appropriate, may invite the Chair of the Executive Committee, the CEO, any other senior executives or other individuals to attend meetings of the Committee and provide information as necessary.

Any non-executive Directors of the Company who are not members of the Committee may attend meetings of the Committee.

## **Duties and responsibilities**

### **Audit**

The duties and responsibilities of the Committee include the following:

- (a) Engage in the pro-active oversight of the Company's financial reporting and disclosure process and the outputs of that process (including review of the Company's financial statements for accuracy and to ensure they reflect a true and fair view, as a basis for recommendation to and adoption by the Board);

- (b) Assess the suitability of the qualification of the Executive General Manager, Audit and Risk;
- (c) Receive reports directly from the Executive General Manager, Audit and Risk;
- (d) Review, oversee and report to the Board in relation to:
- the framework for the preparation of the annual financial budget by the Executive Committee and the consultation process undertaken by management with the Majority Shareholder;
  - the preparation of, and the integrity of the group's financial statements, including reviewing financial statements for adherence to accounting standards and policies and other requirements relating to the preparation and presentation of financial results;
  - the external audit of the Company's financial reports, including the scope and adequacy of the external audit and the results of the external audit, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control;
  - the appropriateness of the accounting policies adopted by management in the composition and presentation of financial reports (or any changes made or contemplated in relation to the Company's accounting policies) and assess the management processes supporting external reporting;
  - how the Company's internal audit function is structured and what role it performs;
  - the results and effectiveness of the internal audit programs and the performance and objectivity of the internal audit function, including whether the internal auditors are adequately resourced and co-ordinated with the external auditor;
  - outcomes and approve of the internal audit program;
  - the Company's relationship with the external and internal auditor as well as the external and internal audit function;
  - the independence<sup>1</sup> and objectivity of the external auditor and the effectiveness of the audit process (based on the information received from the external auditor and management) in accordance with applicable standards;
  - the appointment, reappointment or replacement, remuneration and terms of engagement of the external auditor and rotation of external audit engagement partners, and any questions of its resignation or dismissal<sup>2</sup>;
  - the development and implementation of policy on engaging an external auditor to supply non-audit services;
  - the frequency, significance, and propriety of transactions with related or connected parties;
  - the integrity and quality of the Company's financial information including financial information provided to the Majority Shareholder, ASIC, the ASX, the HKEX and other regulatory bodies; and
  - the Company's tax risk management, arrangements and compliance.

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<sup>1</sup> To review and monitor the independence of the external auditors, the Committee shall: (i) consider all relationships between the Company and the audit firm (including non-audit services); (ii) obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and (iii) meet with the auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

<sup>2</sup> Where the Board disagrees with the Committee's recommendation on the selection, appointment, resignation or dismissal of the external auditors, the Company shall disclose in the corporate governance report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

- (e) Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence<sup>3</sup>, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Company's Annual Report.
- (f) Discuss with the external auditor before the audit commences the nature and scope of the audit and reporting obligations, and ensure coordination where more than one audit firm is involved.
- (g) Review and consider all the Company's publicly released material concerning financial information.
- (h) Ensure that the Company's external auditor attends the AGM and is available to answer questions from shareholders relevant to the audit.
- (i) Liaise with the Board and senior management of the Company and meet with the external auditor at least twice a year.
- (j) Ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- (k) Review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

## **Risk**

The Committee will review the Company's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board, and report on this review to the Board. In fulfilling this responsibility, the Committee will review and report to the Board that:

- the Company's ongoing risk management program effectively identifies all areas of potential and emerging business risks, which may include regulatory and compliance risk, investment risk, legal risk, economic risk, environmental risk, social sustainability risk, occupational health and safety risk, financial risk, reputation risk, operational and execution risk and strategic risk;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness, including recommendations in relation to changes to be made to an entity's risk management framework or to the risk appetite set by the Board.

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<sup>3</sup> When assessing the external auditor's independence or objectivity in relation to non-audit services, the Committee shall consider various factors, including (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services; the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and (iv) the criteria for the compensation of the individuals performing the audit.

The duties and responsibilities of the Committee include ensuring, reviewing and evaluating:

- the effectiveness of financial controls and systems;
- the process for identification and management of financial risk and any improvements that can or should be made to the Company's internal controls, policies and financial disclosures;
- whether the Company has any material exposure to environmental or social risks and, if it does, how the Company manages or intends managing those risks;
- the process to verify the integrity of any periodic corporate report released to the market that has not been reviewed or audited by an external auditor, and ensuring that process is disclosed whether in that report or more generally in the Company's governance disclosures in its annual report or on its website (noting that the authorisation of public disclosure of any such periodic corporate report which has not otherwise been approved by the Board, is the responsibility of the Disclosure Committee or a designated officer of the Company);
- the adequacy of the systems for compliance with relevant laws, regulations, standards and codes;
- the CEO's compliance with applicable delegation of authority limits;
- the structure and adequacy of the Company's business continuity plans;
- the structure and adequacy of the Company's insurances on an annual basis;
- the establishment and maintenance of processes to ensure that there is:
  - an adequate system of internal control, management of business risks and safeguard of assets; and
  - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
- reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
- the Company's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance and the "lessons learned";
- the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards;
- reports from internal audit on its reviews of the adequacy of the Company's processes for managing risk;
- compliance with the Company's policies regarding managing conflicts of interest and related party transactions, and whether any amendments to these policies are required;
- the Company's main corporate governance practices for completeness and accuracy; and
- whether the Company has any material exposure to economic sustainability risks and, if so, how the Company is managing those risks. In this context:
  - 'economic sustainability' refers to the ability of the Company to continue operating at a particular level of economic production over the long term; and
  - 'material exposure' means a real possibility that the risk in question could substantively impact the listed entity's ability to create or preserve value for security holders over the short, medium or long term.

## **Disclosure**

In order to maintain transparency the role of the Committee is to be fully and fairly reported to the Board. Consistent with the Disclosure Policy, the Committee will, to the extent reasonably practical and where it has not otherwise been approved by the Board, review all public disclosures and statements concerning the subject matter of this policy including

disclosures in:

- the annual report; and
- press releases relating to material or significant matters.

## **Resources**

Where the Committee considers it necessary or appropriate in order to fulfil its responsibilities, the Committee will be entitled to:

- access management and internal and external auditors, with the right to seek explanations and additional information from both management and auditors. Whilst the internal audit function reports to senior executives, it is acknowledged that the internal auditors also report directly to the Committee;
- access all books and records of the Company;
- draw on the expertise and resources of any employee of the Company, the internal auditors and external auditors;
- select and engage an external adviser or external service provider involving, where appropriate, advisers that are ‘independent’ in the sense that they are not usual service providers to the Company; and
- receive appropriate representations and attestations from the CEO and Chief Financial Officer as required.

In this context “independent” refers to the restrictions on relationships between the advisers providing the advice and management and/or third parties that might affect the adviser’s capacity to provide appropriate representation and advice to the Committee and should be determined in a way that is consistent with the Committee’s approach to audit independence.

## **Review**

The Committee will review its performance and compliance with this Charter annually.

The Committee will be subject to a periodic comprehensive review that includes surveys of directors, committee members, the internal and external auditors, senior financial and other management. The Committee will conduct an annual review of this Charter or as often as it considers necessary in order to make recommendations to the Board in relation to any changes that should be made to the Company’s risk management framework or to the risk appetite set by the Board and recommend amendments to the Board if necessary. The Board must approve any amendments to this Charter that stem from the review.

## **Publication of the Charter**

A copy of this Charter will be available to all directors and staff of the Company on request to the Company Secretary, electronically via the intranet and on the Company’s website.