

**SUNSTONE METALS LTD**

**ABN 68 123 184 412**

Board Charter

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## 1. INTRODUCTION

Sunstone Metals Ltd (“Sunstone”/ “the Company”) was incorporated on 20 December 2006. Since incorporation the Company’s principal business activities have been exploration and mining.

The Board of Directors of the Company (“Board”) has the ultimate responsibility to its shareholders for the strategy and performance of the Company in general. The Board is dedicated to fulfilling these duties in a lawful and professional manner, and with the utmost integrity and objectivity. As such, the Board actively pursues best practice governance processes appropriate to a company of this size and nature.

Good governance policies and processes are critical for ensuring that the Company is governed in the best interests of the Company as a whole. With this point in mind, the Board has decided to articulate and formalise the corporate governance framework within which the Company operates.

This document outlines the Company’s corporate governance policy in the form of a Board Charter (“Board Charter”), which is a written policy document that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of management in setting the direction, management and the control of the organisation. As such, it establishes the guidelines within which the Directors and Officers are to operate as they carry out their respective roles. It does not in any way constitute legal advice or act as a substitute for legal advice.

The ASX Corporate Governance Council released the 4th edition Corporate Governance Principles and Recommendations in February 2019, effective for financial years commencing on or after 1 January 2020. Having regard to the size of the Company and the nature of its enterprise, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations. The Company will undertake a regular review, and at least annually, to assess the applicability of current procedures against the ASX Corporate Governance Principles and Recommendations.

The purpose of this Board Charter is to document the policies upon which the Board has decided to meet its legal and other responsibilities.

The Charter is structured in accordance with the Corporate Governance Charter Model developed by Competitive Dynamics, which follows.



The Company's Board Charter has four major sections:

- Part A – Defining Governance Roles;
- Part B – Board Processes;
- Part C – Key Board Functions; and
- Part D – Continuing Improvement.

Geoffrey Kiel and Gavin  
Nicholson,  
*Boards that Work: A New Guide  
for Directors*, Sydney: McGraw-  
Hill, 2003.

While it is acknowledged that good governance is an important component of a successful company, it is also recognised that it is contingent upon the context in which it is practiced. Therefore, corporate governance needs to be a dynamic process. The Board Charter will need to be regularly reviewed and updated to reflect changes in the legal framework within which the Company operates, and amendments and developments in Board policies and procedures. It is the responsibility of the Company Secretary to ensure that the Board is consulted regarding any changes and updates, that the Charter is kept current and is reviewed and amended on a yearly basis, and that all Board members are provided with the latest versions of the Charter.

Nothing in this Charter must conflict with the Company's Constitution ("Constitution"). If such a conflict occurs, the Constitution shall prevail.

Any reference to gender in this Charter should be interpreted as applicable to both males and females.

## **PART A – DEFINING GOVERNANCE ROLES**

### **2. THE ROLE OF THE BOARD**

The Board is ultimately responsible for all matters relating to the governance of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage and run the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. Thus, except when dealing with specific management delegations of individual Directors (particularly Executive Directors), it is misleading to refer to the management function of the Board.

The Board has the final responsibility for the successful operations of the Company. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary in order to carry out the objectives of the Company. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Providing leadership to the Company by
  - Guiding the development of an appropriate culture and values for the Company through the establishment and review of Codes of Conduct, rules and procedures to enforce ethical behaviour and provide guidance on appropriate work methods and Health, Safety and Environment;
  - Always acting in a manner consistent with the Company's culture and Code of Conduct;
- Overseeing the development and implementation of an appropriate strategy by:
  - Working with the senior management team to ensure that an appropriate strategic direction and array of goals are in place;
  - Regularly reviewing, at least annually, and amending or updating the Company's strategic direction and goals;
  - Ensuring that an appropriate set of internal controls are implemented and reviewed regularly, at least annually;
  - When required, overseeing planning activities including the development and approval of strategic plans, annual plans; annual corporate budgets and long-term budgets including operating budgets, funding plans, capital expenditure budgets and cash flow budgets;
  - Reviewing the progress and performance of the Company in meeting these plans ,budgets and corporate objectives;
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through the Chairman, being the key interface between the Company and its shareholders;
- Overseeing the control and accountability systems that ensure the Company is progressing towards the goals set by the Board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;

- Ensuring robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- Being responsible for the Company's senior management and personnel including:
  - Directly managing the performance of the CEO/MD including:
    - appointing and remunerating the CEO/MD;
    - providing advice and counsel to the CEO/MD including formal reviews and feedback on his or her performance;
    - overseeing the development or removal of the CEO/MD, where necessary;
  - Ratifying the appointment, the terms and conditions of the appointment and, where appropriate, removal of the CFO and/or Company Secretary;
  - Ensuring that an appropriate succession plan for the CEO/MD, CFO and Company Secretary is in place;
  - When required, ensuring appropriate human resource systems (including OH&S systems) are in place to ensure the well-being and effective contribution of all employees;
- Delegating appropriate powers to the CEO/MD, management and committees to ensure the effective day-to-day management of the business and monitoring the exercise of these powers; and
- Making all decisions outside the scope of these delegated powers.

The detail of some Board functions will be handled through Board Committees as and when the size and scale of operations requires such committees. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

### **3. BOARD STRUCTURE**

#### **3.1 Number of Directors**

The Board has determined that, consistent with the size of the Company and its activities, the Board shall be comprised of at least three (3) Directors, two of whom should be non-executive.

The Board's policy is that the majority of Directors shall be independent, non-executive Directors at a time when the size of the Company and its activities warrants such a structure. This will ensure that all Board discussions or decisions have the benefit of outside views and experience, and that the majority of Directors will be free of any interests or influences that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board has adopted the definition of independence set out in the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations* (4th Edition 2019).

The independence of the Company's non-executive Directors will be assessed on an ongoing basis.

In the opinion of the Board, all Directors should bring specific skills and experience that add value to the Company.

When considering the potential reappointment of an existing director, the Board will take into account the individual's performance as well as the skills and experience mix required by the Board into the future.

When considering vacancies, the Board will take into account a candidate's capacity to enhance the mix of skills and experience of the Board.

### **3.2 Appointment of Directors**

The Company may, by ordinary resolution, increase or decrease the number of Directors and may also determine in what rotation the increased or decreased number is to go out of office and otherwise in accordance with the constitution.

### **3.3 Skills Required on the Board**

The Board will review capabilities, technical skills and personal attributes of its Directors. It will normally review the Board's composition against those attributes and recommend any changes in Board composition that may be required. An essential component of this will be the time availability of Directors.

### **3.4 Duration of Appointment**

In the interest of ensuring a continual supply of new talent to the Board, Directors will serve for a maximum of three terms (up to a maximum of nine years) unless there are exceptional circumstances.

The exception to this policy is that a Director who is serving as Chairman at the conclusion of the usual maximum term may serve an additional term in that role.

### **3.5 Vacation of Office**

It is envisaged that Directors shall remain on the Board until required to vacate the office by law or as detailed in the Constitution.

## **4. THE ROLE OF INDIVIDUAL DIRECTORS**

As members of the peak decision-making body in the Company, Directors share ultimate responsibility for the Company's overall success. Therefore, Directors have an individual responsibility to ensure that the Board is undertaking its responsibilities. Directors need to ensure that the Board is providing:

- leadership to the Company, particularly in the areas of ethics and culture;
- a clear and appropriate strategic direction;
- accountability to key stakeholders, particularly shareholders;
- oversight of policies;
- oversight of all control and accountability systems including all financial operations and solvency, risk management and compliance;
- an effective senior management team and appropriate personnel policies as and when required; and
- timely and effective decisions on matters reserved to it.

### **4.1 Directors' Code of Conduct**

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the company:

- will act honestly, in good faith and in the best interests of the whole Company;\*
- owe a fiduciary duty to the Company as a whole;
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;\*
- will undertake diligent analysis of all proposals placed before the Board;
- will act with a level of skill expected from directors and key executives of a publicly listed company;
- will use the powers of office for a proper purpose, in the best interests of the Company as a whole;\*



- will demonstrate commercial reasonableness in decision making;
- will not make improper use of information acquired as Directors and key executives;\*
- will not disclose non-public information except where disclosure is authorised or legally mandated;†
- will keep confidential, information received in the course of the exercise of their duties and such information remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law;\*
- will not take improper advantage of the position of Director\* or use the position for personal gain or to compete with the Company;†
- will not take advantage of Company property or use such property for personal gain or to compete with the Company;†
- will protect and ensure the efficient use of the Company's assets for legitimate business purposes;†
- will not allow personal interests, or the interest of any associated person, to conflict with the interests of the Company;\*
- have an obligation to be independent in judgment and actions and directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;\*
- will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally, towards achieving its goals;
- will not engage in conduct likely to bring discredit upon the company;\*
- will encourage fair dealing by all employees with the Company's customers, suppliers, competitors and other employees as and when those dealings occur;†
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;†
- will give their specific expertise generously to the company;
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code;\*

(\*From the *AICD Code of Conduct*)

(†From the ASX Corporate Governance Council's *Principles of Good Corporate Governance*)

#### **4.2 Expectations of Directors in Board Process**

Since the Board needs to work together as a group, Directors need to establish a set of standards for Board meetings. At the Company, it is expected that Directors shall, in good faith, behave in a manner that is consistent with generally accepted procedures for the conduct of meetings at all meetings of the Board. This will include, but not be limited to:

- behaving in a manner consistent with the letter and spirit of the Corporate Code of Conduct;
- acting in a businesslike manner;
- acting in accordance with the Constitution and Board policies;
- addressing issues in a confident, firm and friendly manner;
- preparing thoroughly for each Board or Committee event;
- using judgment, common-sense and tact when discussing issues;

- minimising irrelevant conversation and remarks;
- ensuring that others are given a reasonable opportunity to put forward their views;
- refraining from interruption or interjection when a speaker has the floor; and
- being particularly sensitive in interpreting any request or direction from the Chairman that aims to ensure the orderly and good-spirited conduct of the meeting.

Directors are expected to be forthright in Board meetings and have a duty to question, request information, raise any issue, and fully canvas all aspects of any issue confronting the Company, and cast their vote on any resolution according to their own judgment.

Outside the boardroom, however, Directors will support the letter and spirit of Board decisions in discussions with all stakeholders including any shareholders, special interest groups, customers, staff, suppliers and any other parties.

Directors will keep confidential all Board discussions and deliberations. Similarly, all confidential information received by a Director in the course of the exercise of the Director's duties remains the property of the Company and is not to be discussed outside the boardroom. It is improper to disclose it, or allow it to be disclosed, unless that disclosure is required by law and in any event should not be disclosed without appropriate authorisation.

### **4.3 Conflict of Interest and Related Party Transactions**

#### ***4.3.1 Conflicts of Interest***

Directors must disclose to the Board actual or potential conflicts that may or might reasonably be thought to exist between the interests of the Director and the interests of the Company. On appointment, Directors will have an opportunity to declare any such interests.

Directors should update this disclosure by notifying the Company Secretary in writing as soon as they become aware of any conflicts. Directors are also expected to indicate to the Chairman any actual or potential conflict of interest situation as soon as it arises.

The Board can request a Director to take reasonable steps to remove the conflict of interest. If a Director cannot or is unwilling to remove a conflict of interest then the Director must absent himself or herself from the room when discussion and voting occur on matters to which the conflict relates. The entry and exit of the Director concerned will be minuted by the Company Secretary. Directors do not have to absent themselves when either (a) conflict of interest relates to an interest common to all Company members/shareholders or (b) the Board passes a resolution that identifies the Director, the nature and extent of the Director's interest and clearly states that the other Directors are satisfied that the interest should not disqualify the Director concerned from discussion and/or voting on the matter.

#### ***4.3.2 Related Party Transactions***

Related party transactions include any financial transaction between a Director or officer and the Company and will be reported in half yearly and annual reports.

In general, the *Corporations Act* requires related party transactions to be approved by the shareholders; the Board cannot approve these transactions. An exemption to this requirement occurs where the financial benefit is given on arm's length terms.

The Board has also resolved that where a related party makes applications to a Director or officer of the Company then the Director or officer shall exclude himself/herself from the approval process.

Related party for this process means:

- (a) a spouse or de facto spouse of the Director or officer; or
- (b) a parent, son or daughter of the Director or officer or their spouse or de facto spouse; or

- (c) an entity over which the Director or officer or a related party defined in (a) or (b) has a controlling interest.

#### **4.4 Emergency Contact Procedures**

As there is the occasional need for urgent decisions, Directors should leave with the Company Secretary any contact details, either for themselves or for a person who knows their location, so that all Directors can be contacted within 24 hours in cases of a written resolution or other business.

### **5. THE ROLE OF THE CHAIRMAN**

The Chairman's role is a key one within the Company. The Chairman is considered the "lead" Director and utilises his/her experience, skills and leadership abilities to facilitate the governance processes.

There are two main aspects to the Chairman's role. They are the Chairman's role within the boardroom and the Chairman's role outside the boardroom.

#### **5.1 Inside the Boardroom**

Inside the boardroom, the role of the Chairman is to:

1. Establish the agenda for Board meetings in consultation with the CEO/MD;
2. Chair Board meetings;
3. Be clear on what the Board has to achieve, both in the long and short term;
4. Provide guidance to other Board members about what is expected of them;
5. Ensure that Board meetings are effective in that:
  - the right matters are considered during the meeting (for example, strategic and important issues);
  - matters are considered carefully and thoroughly;
  - all Directors are given the opportunity to effectively contribute; and
  - the Board comes to clear decisions and resolutions are noted;
6. Brief all Directors in relation to issues arising at Board meetings;
7. Ensure that the decisions of the Board are implemented properly; and
8. Ensure that the Board behaves in accordance with its Code of Conduct;

#### **5.2 Outside the Boardroom**

Outside the boardroom, the role of the Chairman is to:

1. In conjunction with the CEO/MD, undertake appropriate public relations activities;
2. Be the spokesperson for the Company at the AGM and in the reporting of performance and profit figures;
3. Be the major point of contact between the Board and the CEO/MD;
4. Be kept fully informed of current events by the CEO/MD on all matters which may be of interest to Directors;
5. Regularly review with the CEO/MD, and such other senior officers as the CEO/MD recommends, progress on important initiatives and significant issues facing the Company; and
6. Provide mentoring for the CEO/MD;

## **6. THE ROLE OF THE COMPANY SECRETARY**

The Company Secretary is charged with facilitating the Company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all Directors have a right of access to the Company Secretary.

The tasks of the Company Secretary shall include:

### **Meetings and Minutes**

- notifying the directors in advance of a meeting of the Board;
- ensuring that the agendas and Board papers and Board Committee papers, as and when they are required, are prepared and forwarded to Directors prior to Board and Board Committee meetings;
- recording, maintaining and distributing the minutes of all Board and Board Committee meetings as required;
- maintaining a complete set of Board and Board Committee papers at the Company's main office.
- preparing for and attending all annual and extraordinary general meetings of the Company; and
- recording, maintaining and distributing the minutes of all general meetings of the Company.

### **Compliance**

- overseeing the Company's compliance program and ensuring all Company legislative obligations are met;
- ensuring all requirements of ASIC, the ATO and any other regulatory body are fully met; and
- providing counsel on corporate governance principles and Director Liability.

### **Governance Administration**

- maintaining a Register of Company Policies as approved by the Board;
- maintaining, updating and ensuring that all directors have access to an up-to-date copy of the Board Charter and associated governance documentation;
- maintaining the complete list of the delegations of authority
- Maintaining the Company's Risk Register
- reporting at Board meetings the documents executed under a power of attorney, documents executed in accordance with section 127 of the *Corporations Act*, or under the common seal; and
- any other services the Chairman or Board may require.

## **7. THE ROLE OF THE CEO/MD**

The Chief Executive Officer/Managing Director (CEO/MD) is responsible for the attainment of the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board. The position reports directly to the Board.

The CEO/MD's primary objective is to ensure the ongoing success of the Company through being responsible for all aspects of the management and development of the company. The CEO/MD is of critical importance to the Company in guiding the company to develop new and imaginative ways of

winning and conducting business. The CEO/MD must have the industry knowledge and credibility to fulfil the requirements of the role.

The CEO/MD will, as and when the size, nature and scale of the Company's activities requires it, manage a team of executives responsible for all functions contributing to the success of the Company.

The CEO/MD's specific responsibilities will include:

- Develop, in conjunction with the Board, the Company's vision, values, and goals;
- Responsibility for the achievement of corporate goals and objectives;
- Development of short, medium and long term corporate strategies, funding and planning to achieve the Company's vision and overall business objectives;
- Preparation of business plans and reports with the senior management; developing with the Board the definition of ongoing corporate strategy, funding plans; implementing and monitoring strategy and reporting/presenting to the Board on current and future initiatives;
- Advise the Board regarding the most effective organisational structure and oversee its implementation;
- Assessment of business opportunities of potential benefit to the Company;
- Responsibility for proposals for major capital expenditure to ensure their alignment with corporation strategy and justification on economic grounds;
- Sustain competitive advantage through maximising available resources, encouraging staff commitment and strategically aligning the corporate culture with the organisation's goals and objectives;
- Establish and maintain effective and positive relationships with Board members, shareholders, customers, suppliers and other government and business liaisons;
- Undertake the role of key company spokesperson;
- Recommend policies to the Board in relation to a range of organisational issues including delegations of authority, consultancies and performance incentives;
- Ensure statutory, legal and regulatory compliance and comply with corporate policies and standards;
- Ensure appropriate risk management practices and policies are in place;
- Ensure frequent review, at least annually, and updating of the Company's Risk Register
- Ensure that the Company's Health, Safety and Environment Policies and Procedures are up to date, monitored and reported upon at Board meetings
- Develop and motivate direct reports and their respective teams;
- Select and appoint key staff as and when required (direct reports); and
- Ensure there is an appropriate staff appraisal system in place in the Company.

## **PART B – BOARD PROCESSES**

### **8. BOARD MEETINGS**

Board meetings are a fundamental component of governance processes. Each Board meeting is critical, as it is the main opportunity for directors to:

- obtain and exchange information with the senior management team;

- obtain and exchange information with each other; and
- make decisions.

The Board meeting agenda is equally as important because it shapes the information flow and subsequent discussion.

### 8.1 Meeting Frequency

Given the size of the Company and the scale of its activities, the Board will meet approximately 9 times per year but no less than four times per year and, unless otherwise agreed, Committees will generally meet at least twice per year. Currently all Directors are members of each committee, however at a time when the size of the Company and the scale of its activities warrants it, the members of each committee may not comprise all Directors. In this case, where Board and Committee meetings are scheduled for the same month, where possible, Committee meetings will precede the Board meeting by at least one week to allow the circulation of the minutes of the Committee meeting prior to the Board meeting.

### 8.2 Meeting Time and Location

The Board usually meets at the Company's headquarters located at 9 Gardner Close, Milton, Queensland. Board meetings usually commence at 5pm but this may vary depending on the agenda of each individual meeting, the availability of key participants and the location in which the meeting is taking place. Attendance at meetings is allowable via telephone.

### 8.3 Meeting Cycle

When the size of the Company and the scale of its activities warrants it, and to assist the smooth running of Board processes, the Board will adopt an indicative cycle as follows. The indicative cycle gives Board members seven days to review the agenda and Board or Board Committee papers to save valuable time at meetings by being prepared for discussions and allowing them to seek clarification or further information in advance on ambiguous items.

Under normal circumstances and when warranted, Board or Board Committee meetings shall follow the following monthly cycle:

ITEM	DAY
Draft agenda prepared by the Company Secretary	-10
Company Secretary updates actions arising from the previous meeting	-9
Company Secretary reviews the proposed agenda with the Chairman	-9
Board or Board Committee papers and agenda are finalised	-6
Board or Board Committee papers are printed	-5
All Board or Board Committee papers are circulated to Board meeting attendees	-5
Board or Board Committee meeting	0
Draft minutes sent to Chairman	3 to 5
Draft minutes sent to Directors	6 to 10

[All days indicated are calculated in relation to the Board or Board Committee meeting day (day zero)].

Please note, that this is an indicative cycle only. The actual timing of events in the lead up to and follow up from Board meetings will be dependent upon the circumstances surrounding each individual meeting.

### 8.4 Conduct of Meetings

The Chairman or Board Committee chairman will determine the degree of formality required at each meeting while maintaining the decorum of such meetings. As such, the Chairman will:

- ensure that all members are heard;

- retain sufficient control to ensure that the authority of the Chair is recognised. This may require a degree of formality to be introduced if this is necessary to advance the discussion;
- take care that the decisions are properly understood and well recorded; and
- ensure that the decisions and debate are completed with a formal resolution recording the conclusions reached.

### **8.5 Quorum and Voting at Meetings**

In order for a decision of the Board or Board Committee to be valid, a quorum of directors must be present. A quorum will be 2 directors present in person or by instantaneous communication device or as otherwise stipulated in the constitution. Questions arising at Board or Board Committee meetings are to be decided by a majority of votes of Directors who are present and entitled to vote.

### **8.6 Emergency Decision Making – Written Resolutions**

A resolution in writing signed by all Directors shall be as valid and effectual as if it had been passed at a meeting of Directors duly convened and held and otherwise in accordance with the Company's Constitution.

## **9. BOARD MEETING AGENDA**

### **9.1 Agenda Content**

- An agenda will be prepared for each Board and Board Committee meeting.

### **9.2 Agenda Preparation**

The Company Secretary, in consultation with the Chairman or Board Committee Chairman and the CEO/MD is responsible for preparing an agenda for each Board or Board Committee meeting. However, any director may request items to be added to the agenda for upcoming meetings.

## **10. BOARD OR BOARD COMMITTEE PAPERS**

### **10.1 Preparation and Circulation of Board or Board Committee Papers**

The Company Secretary together with the CEO/MD is responsible for the preparation and circulation of Board or Board Committee papers should they be required. The Board or Board Committee papers will be circulated to Directors prior to the Board or Board Committee meeting. If a Board paper relates to a matter in which there is a known conflict of interest with a particular Director then the relevant Board or Board Committee paper will be removed by the Company Secretary on the instructions of the Chairman, from the set of Board or Board Committee papers sent to that Director. In the case of the Chairman having a conflict of interest, the Board will appoint another Director to make final decisions on the forwarding of Board papers to the Chairman.

### **10.2 Retention of Board Papers**

The Company Secretary maintains a complete set of Board and Board Committee papers at the Company's headquarters. However, individual Directors may retain their own Board papers in a secure location.

## **11. BOARD AND BOARD COMMITTEE MINUTES**

Minutes are to be a concise summary of the matters discussed at a Board or Board Committee Meeting. Minutes will contain a brief reference to relevant Board or Board Committee papers tabled plus any official resolutions adopted by Directors. All decisions will be recorded in the minutes by means of a formal resolution.

## **12. BOARD CALENDAR**

In order to provide an even distribution of work over each financial year, the Board will adopt a twelve-month Board Calendar, as and when the size and scale of operations requires it. Included will be all scheduled Board and Board Committee meetings as well as major corporate and Board activities to be carried out in particular months. Once initiated it will be updated and approved prior to the start of each financial year.

## **13. BOARD COMMITTEES**

When the size of the Company and the scale of its activities warrant it the Board will institute Board Committees as required. The Board currently has an Audit and Financial Risk Committee as well as a Remuneration Committee, with all Directors being members of both committees, allowing all Directors to participate fully in all decision making. When the circumstances require it the following committees will be instituted:

- Nomination Committee; and
- Risk Management Committee.

Each Board Committee will have a Board Committee Charter that has been approved by the Board. Nevertheless, the Board has the ability to alter the roles of each Board Committee as it sees fit.

## **PART C – KEY BOARD FUNCTIONS**

### **14. THE BOARD AND STRATEGY**

The Board will approve a formal strategic planning process that articulates the respective roles and levels of involvement of the Board, Senior Management and other employees and will review the strategic plan for the Company on a regular basis.

### **15. CONTACTS AND ADVISORY ROLE**

#### **15.1 CEO/MD Advisory Role**

It is recognised that a key directorial duty is providing a sounding board for CEO/MD ideas and challenges. Recognising that the CEO/MD-Board relationship is critical to effective corporate governance, Directors should provide frank and honest advice to the CEO/MD. It is expected that the Chairman will play a key part of this role and will maintain regular contact with the CEO/MD.

All advice should be constructive in nature and provided in a positive manner. Where appropriate, Directors should recommend possible alternative advisers if they do not feel adequately trained to assist.

#### **15.2 Protocol for Interaction with Internal and External Parties**

##### *15.2.1 Media Contact and Comment*

The Board has designated the CEO/MD or the Chairman (where appropriate) to speak to the press on matters associated with the Company. In speaking to the press, the CEO/MD or the Chairman will not comment on price sensitive information that has not already been disclosed to ASX, however, they may clarify previously released information. To assist in safeguarding against the inadvertent disclosure of price sensitive information the CEO/MD and the Chairman will be informed of what the Company has previously disclosed to the market on any issue prior to briefing anyone outside the Company.

The Chairman is authorised to comment on:

- Annual and half yearly results at the time of the release of the annual or half yearly report
- Resolutions to be put to General Meetings of the Company
- Changes in Directors, any matter related to the composition of the Board or Board processes



- Any speculation concerning Board meetings or the outcomes of Board meetings
- Other matters specifically related to shareholders

The CEO/MD is authorised to comment on:

- The Company's future outlook
- Any operational matter
- Media queries concerning operational issues which reflect either positively or negatively on the Company
- Proposed or actual legal actions
- Queries and general discussion concerning the Company's industry

There will be times when Directors and employees will be approached by the media for public comment. On such occasions, the Director(s) or employee(s) should comply with the following:

1. refer the person to the CEO/MD or Chairman of the Board as appropriate for comment;
2. refrain from disclosing any information, documents or other forms of data to the person without the prior consent of the CEO/MD or the Chairman of the Board;
3. report the person who contacted the director/employee, the reason (explicit or inferred) for the contact and a summary of any other relevant information as soon as possible to the CEO/MD or the Chairman of the Board.

#### *15.2.1 External Communications including Analyst Briefings and Responses to Shareholder Questions*

The Company discloses its financial and operational results to the market each year/half year/quarter as well as informing the market of other events throughout the year as they occur. Annual, half-yearly and quarterly financial reports, media releases and AGM speeches are all lodged with the ASX. As all financial information is disclosed through the ASX, the Company will only comment on factual errors in information and underlying assumptions when commenting on market analysts' financial projections, rather than commenting on the projections themselves.

In addition to the above disclosures, the Company does conduct briefings and discussions with analysts and institutional investors. However, price sensitive information will not be discussed unless that particular information has been previously formally disclosed to the market via an ASX announcement. Slides and presentations used in briefings will also be released immediately prior to the briefing to the market via the ASX.

After the conclusion of each briefing or discussion if any price sensitive information was disclosed it will be announced immediately to the ASX.

### **15.3 Hospitality and Gifts**

While the Company recognises the need from time to time to give or accept customary business courtesies in accordance with ethical business practices, Directors and officers will not solicit such courtesies and will not accept gifts, services, benefits or hospitality that might influence, or appear to influence, the Directors' and officers' conduct in representing the Company.

## **16. MONITORING**

Another essential function of the Board is to monitor the performance of the organisation in implementing its strategy and overall operational performance.

## **17. COMPLIANCE**

The Board is charged with overseeing, reviewing and ensuring the integrity and effectiveness of the Company's compliance systems. The Board has an external independent auditor who is responsible for verifying the Company's compliance systems and reporting to the Board on those systems.

## 18. RISK MANAGEMENT

Since risk management is a complex and critical component of the Company's governance, the Board has established an Audit and Financial Risk Committee to oversee and guide the detail of this topic. The Board will establish a separate Risk Management Committee, as and when the size of the Company and the scale of its operations require it, to manage the other risks for the Company that are not considered financial risks.

The CEO/MD is charged with implementing appropriate risk systems within the Company. Aspects of this process may be delegated.

The risk management system will be based on Australian Standard *AS/NZS4360:1999*.

Risk management is considered a key governance and management process. It is not an exercise merely to ensure regulatory compliance. Therefore, the primary objectives of the risk management system at the Company will be to ensure:

- all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- senior management, the Board and investors understand the risk profile of the Company.

In line with these objectives, the risk management system will cover:

- Operations risk;
- Financial reporting; and
- Compliance.

Once implemented the Risk Management Committee will review all major strategies and purchases for their impact on the risk facing the Company and make appropriate recommendations to the Board. The Company will also undertake an annual review of operations to update its risk profile and Risk Register. This will normally occur in conjunction with the strategic planning process.

The Board will receive a report, at least annually, on those areas of risk identified by the Risk Management Committee once the committee has been initiated. In addition, as specified by Recommendation 7.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the CEO/MD and CFO will provide written assurances that the risk management system is effective, efficient and accurately reflected in the Company's financial statements.

## 19. DELEGATION OF AUTHORITY

Directors are responsible for any delegations of their responsibilities with regard to corporate operations. As such, they decide as a Board what Company matters are delegated to either specific Directors or management. In addition, they outline what controls are in place to oversee the operation of these delegated powers.

Consequently, individual Directors have no individual authority to participate in the day-to-day management of the Company including making any representations or agreements with member companies, suppliers, customers, employees or other parties or organisations.

The exception to this principle occurs where the Board explicitly delegates an authority to the Director individually. Additionally, it is recognised that all Executive Directors will carry significant delegated authority by virtue of their management position.

Similarly, Board Committees and their members require specific delegations from the Board as a whole and these will be contained in each Board Committee's respective Terms of Reference.

### **19.1 General Delegations**

In general, the Board delegates all powers and authorities required to effectively and efficiently carry out the Company's business. Listed below are the exceptions to these delegations, whereby the Board or appropriate Committee reserves the powers as indicated.

### **19.2 Decisions Requiring Board Approval**

The following decisions must be referred to the Board for approval:

- Acquiring or selling shares of the Company;
- Acquiring, selling or otherwise disposing of property in excess of \$200,000 of the Company;
- Founding, acquiring or selling subsidiaries of or any company within the Company, participating in other companies or dissolving or selling the Company's participation in other companies (including project joint ventures);
- Acquiring or selling patent rights, rights in registered trademarks, licences or other intellectual property rights of the Company;
- Founding, dissolving or relocating branch offices or other offices, plants and facilities;
- Starting new business activities, terminating existing business activities or initiating major changes to the field of the Company's business activities;
- Approving and/or altering the annual business and funding plans (including financial planning) for the Company or any part of the Company;
- Taking or granting loans which exceed \$500 (including, without limitation, the placing of credit orders, issuing of promissory notes or loans against IOUs);
- Granting securities of any type;
- Granting loans to Company officers or employees and taking over guarantees for the Company's officers and employees;
- Determining the balance sheet strategy for the Company or any part of the Company;
- Entering into agreements for recurring, voluntary, or additional social benefits, superannuation agreements or agreements for general wage and salary increases;
- Determining the total amount of bonuses and gratuities for Company officers and employees;
- Determining the appointment, termination, prolongation of employment or amendment to conditions of employment of members of the Board of Directors; and
- Granting or revoking a power of attorney or limited authority to sign and/or act on behalf of the Company.

## **PART D – CONTINUING IMPROVEMENT**

### **20. DIRECTOR PROTECTION**

#### **20.1 Information Seeking Protocol**

Directors will adhere to the following protocol when seeking information:

1. approach the CEO/MD/Company Secretary to request the required data;
2. if the data is not forthcoming, approach the Chairman;
3. if the information is still not forthcoming, write a letter to all Board members and the CEO/MD detailing the information that is required, purpose of the information, and who the Director intends to approach in order to obtain the information; and
4. as a last resort, employ the provisions of the *Corporations Act*.

#### **20.2 Access to Professional Advice**

A Director of the Company is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation a Director may, from time to time, need to seek independent, expert opinion on matters before them. All Directors have the individual authority to commit the company to up to \$2,000 per annum in professional advice.

Prior to seeking professional advice a director shall inform the Chairman about the nature of the opinion or information sought, the reason for the advice, the terms of reference for the advice and the estimated cost of the advice. Where more than one Director is seeking advice about a single issue, the Chairman shall endeavour to coordinate the provision of the advice.

If the cost of professional advice is likely to exceed \$2,000, the Director shall seek authority from the Chairman prior to engaging an external expert. The Chairman has delegated authority to authorise expenditures up to \$10,000. If the Chairman withholds authorisation, the Director has the right to seek authority from the Board at the next Board meeting. If the cost of professional advice is likely to exceed \$10,000, then the Boards approval for the engagement of an external expert is required.

Advice so received should be received on behalf of the Board as a whole.

#### **20.3 Access to Board Papers**

The Directors have the right to access board papers as granted by the Corporations Act.

#### **20.4 Insurance**

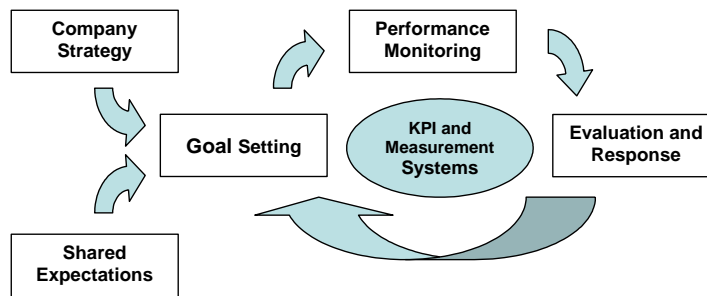
The Company currently holds Directors' and Officers' Insurance Policies, with a \$20,000,000 limit.

### **21. BOARD AND SENIOR EXECUTIVE EVALUATION**

#### **21.1 Evaluation Process**

The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability. The common process that guides evaluation at the Company is set out in figure 1 and ensures that those evaluated clearly understand performance expectations prior to the evaluation period.

**Figure 1: Performance Evaluation Cycle**



## 21.2 Board and Director Evaluations

The Board considers the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the Board will undertake an evaluation of Board and Director performance. The review will be based on a number of goals for the Board and individual Directors that will be established. The goals are based on corporate requirements and any areas for improvement that may be identified. The Board will consider the outcome of such reviews in a dedicated meeting and develop a series of actions and goals to guide improvement. The Chairman will provide each Director with confidential feedback on his or her performance. This feedback is used to develop a development plan for each Director. The Board does not endorse the reappointment of a Director who is not satisfactorily performing the role.

## 21.3 Board Committee Evaluations

Once established, the Board will set a number of expectations for its Committees. These expectations are to be derived after considering the results of previous reviews if any, an assessment of the Company's current and future needs, and a review, at least annually, of each Committee's Charter or purpose. As a result of a review, the Board may amend or revoke a Committee's Charter.

The Board will review the performance of the Committees and itself against expectations. Based upon the review, individuals and groups will be provided with feedback on their performance. The results of the review will be a key input into the expectations set by the Board.

## 21.4 Senior Executive Evaluations

All senior executives at the Company will be subject to an annual performance evaluation. Each year, senior executives (including the CEO/MD) will establish a set of performance targets. These targets are aligned to overall business goals and the Company's requirements of the position. In the case of the CEO/MD, these targets are negotiated between the CEO/MD and the Board and signed off by the whole Board.

An informal assessment of progress is carried out throughout the year. A full evaluation of the executive's performance against the agreed targets takes place annually. This will normally occur in conjunction with goal setting for the coming year. Since the Company is committed to continuous improvement and the development of its people, the results of the evaluation form the basis of the executive's development plan. Performance pay components of executives' packages are dependent on the outcome of the evaluation.

# 22. NON-EXECUTIVE DIRECTOR REMUNERATION

## 22.1 Fees

Non-executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive Directors. The Board determines the sum each non-

executive Director is paid from time to time. Additional fees are currently not paid for participation on Board Committees as all Directors are currently members of each committee; however, the total fees paid to non-executive Directors, including fees paid for participation on Board Committees, are kept within the total amount approved by shareholders.

#### **22.2 Performance-Based Bonus**

Non-executive Directors do not receive performance-based bonuses.

#### **22.3 Equity-Based Remuneration**

Non-executive Directors cannot choose to receive shares in the Company as part of their remuneration instead of receiving cash and may not participate in equity schemes of the Company, such as option schemes, that are designed to encourage enhanced performance of the participant.

#### **22.4 Other Benefits**

Non-executive Directors are entitled to statutory superannuation.

### **23. DIRECTOR DEVELOPMENT**

The Company is committed to continuing development of its Directors and executives. In line with this commitment, there is an expectation that all Directors and the CEO/MD will commit to at least 2 days of professional development each year. The Board allocates an annual budget of \$5,000 to encourage Directors to participate in training and development programs. Any Director wishing to undertake either specific directorial training or personal development courses is expected to approach the Chairman for approval of the proposed course. Development may be in both governance and governance processes or in the Company's industry.

### **24. DIRECTOR INDUCTION**

New directors will undergo an induction process in which they will be given a full briefing on the Company. This will include meeting with key executives, tours of the premises, an induction package and presentations. Information conveyed to the new Director will include:

- details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements including:
  - *Corporations Act*;
  - Tax Office requirements; and
  - other major statutory bodies;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the company including:
  - core competencies of the Company;
  - an industry background briefing;

- a recent competitor analysis;
- details of past financial performance;
- current financial structure; and
- any other important operating information;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget;
- the Company's Risk Register
- access to a copy of the Constitution of the Company; and
- Directors Deed of Indemnity and Right of Access to Documents, if applicable.

## **ATTACHMENTS**

Attachment A... Audit Committee Charter

Attachment B... Remuneration Committee Charter

Attachment C...Risk Management Committee Charter

Attachment D... Nomination Committee Charter

Attachment E...Policy on Continuous Disclosure

Attachment F...Policy on Trading in Company Securities

Attachment G...Policy on Selection, Appointment and Rotation of External Auditors

Attachment H...Policy on Risk Management

Attachment I...Commitment to Code of Conduct



## **ATTACHMENT A – AUDIT COMMITTEE CHARTER**

### **1. GENERAL SCOPE AND AUTHORITY**

- (a) The Audit and Financial Risk Committee is a committee of the Board. The Charter is subject to review and approval by the Board as required.
- (b) The primary purpose of the Audit and Financial Risk Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by:
  - (i) Assisting the Board in carrying out its responsibility to exercise due care, diligence and skill in relation to the Board's reporting of financial information, application of accounting policies, financial management, internal control systems, business policies and procedures, compliance with applicable laws and regulations, and monitoring and controlling of business risks;
  - (ii) Providing the Board with advice and recommendations regarding the ongoing development of financial risk oversight and management policies (covering oversight, risk profile, risk management, compliance and control) that set out the roles and respective accountabilities of the Board, the Audit and Financial Risk Committee and management;
  - (iii) Receiving and reviewing management's recommendations and providing the Board with advice and recommendations regarding the establishment of a financial risk management system and financial risk profile;
  - (iv) Regularly reviewing the Company's financial risk profile (provided by management) having regard to key financial risk, legal and regulatory risk and disclosure reporting;
  - (v) Reviewing internal control and audit functions and their effectiveness;
  - (vi) Reviewing financial statements provided by management for accuracy, adequacy and clarity to ensure they give a true and fair view of the Company's financial position and adhere to accounting standards and policies and legislative requirements;
  - (vii) With respect to the external auditor, approving and recommending policies and procedures for appointing or removing an external auditor and terms of engagement;
  - (viii) Providing a formal forum for communication between the Board, auditors and senior management;
  - (ix) Regularly reviewing and assessing the compliance of the external auditor with policies and procedures, the effectiveness, and independence of the external auditor; and
  - (x) Monitoring the relationship between management and the auditor.
- (c) The Audit and Financial Risk Committee shall have the right to seek any information it considers necessary to fulfil its duties, which includes the right to obtain appropriate external advice at the Company's expense.

## **2. COMPOSITION**

- (a) The Audit and Financial Risk Committee will be appointed by the Board and shall comprise not less than two non-executive directors (unless otherwise determined by the Board), with a majority being independent.
- (b) The Board shall appoint one of the Audit and Financial Risk Committee members, other than the Chair of the Board, to serve as the Audit and Financial Risk Committee Chair. The Chair must be an independent director. The Chair and Audit and Financial Risk Committee membership will be confirmed annually.
- (c) The Board may appoint such additional non-executive Directors to the Audit and Financial Risk Committee or remove and replace members of the Audit and Financial Risk Committee by resolution.

## **3. SECRETARY**

- (a) The Company Secretary or their nominee shall be the Secretary of the Audit and Financial Risk Committee, and shall attend meetings of the Audit and Financial Risk Committee as required.
- (b) The Secretary will be responsible for keeping the minutes of meeting of the Audit and Financial Risk Committee and circulating them to Audit and Financial Risk Committee members, other members of the Board, and to the external auditor.
- (c) The Secretary shall distribute supporting papers for each meeting of the Audit and Financial Risk Committee as far in advance as possible, with a minimum 3 business days.

## **4. MEETINGS**

- (a) The Audit and Financial Risk Committee will meet at least twice per year and additionally as circumstances may require or as often as the Audit and Financial Risk Committee members deem necessary in order to fulfil their role.
- (b) Meetings are called by the Secretary as directed by the Chairman of the Audit and Financial Risk Committee, or at the request of the Board.
- (c) The external auditors should be given notice of all meetings and have the right to attend and speak.
- (d) A quorum for any Audit and Financial Risk Committee meeting will comprise any two independent non-executive Director Audit and Financial Risk Committee members. In the absence of the Audit and Financial Risk Committee Chairman or appointed delegate, the members shall elect one of their number as Chairman for that meeting.
- (e) Where deemed appropriate by the Chairman of the Audit and Financial Risk Committee, meetings and subsequent approvals may be held or concluded by way of a circular written resolution or a conference call.

- (f) Decisions will be based on a majority of votes with the Chairman having the casting vote.
- (g) The Audit and Financial Risk Committee may invite any executive management team members or other individuals, including external third parties, to attend meetings of the Audit and Financial Risk Committee, as they consider appropriate.

## **5. ACCESS**

- (a) Members of the Audit and Financial Risk Committee have rights of access to the books and records of the Company to enable them to discharge their duties as Audit and Financial Risk Committee members, except where the Board determines that such access would be adverse to the Company's interests.
- (b) The Audit and Financial Risk Committee may consult independent experts to assist it in carrying out its duties and responsibilities. Any costs incurred as a result of the Audit and Financial Risk Committee consulting an independent expert will be borne by the Company.

## **6. DUTIES AND RESPONSIBILITIES**

In order to fulfil its responsibilities to the Board, the Audit and Financial Risk Committee shall consider any matters relating to the financial affairs, corporate governance and external auditor of the Company and its controlled entities that it considers necessary. In addition, the Audit and Financial Risk Committee shall examine any other matters referred to it by the Board.

The role of the Audit and Financial Risk Committee is as follows:

### **6.1. AUDIT**

- a) Monitor the need for an internal audit function or for any specific internal audits;
- b) Make recommendations to the Board regarding the appointment of the external auditor based on the recommendations of the Managing Director and the Chief Financial Officer;
- c) Approve the audit fee and terms of engagement of the external auditors based on the recommendations of the Managing Director and the Chief Financial Officer;
- d) Review and approve the annual audit plan;
- e) Review external audit reports to ensure that where major deficiencies or breakdowns in controls of procedures have been identified, appropriate and prompt remedial action is taken by management;
- f) Review the performance of the external auditors;
- g) Review the type of non-audit work carried out by the external auditors (and the associated fees), to ensure that the conduct of such work does not compromise the independence of the external auditors;
- h) Review the annual declaration of independence from the external auditors;
- i) Initiate and supervise special investigations.

## **6.2. REPORTING**

- a) Review significant accounting policies applied in financial reporting to ensure appropriateness for the organisation and compliance with accounting standards;
- b) Review, and recommend to the Board for approval, financial statements and other financial information distributed externally;
- c) Monitor the procedures in place to ensure that the entity is in compliance with the Corporations Act, Stock Exchange Listing Rules and other legislative and reporting requirements;
- d) Review related party transactions and consider the adequacy of disclosure of those transactions in the financial statements.

## **6.3. RISK MANAGEMENT**

- a) Ensure the establishment of an appropriate internal control framework, including information systems based on the recommendations of the Managing Director and the Chief Financial Officer;
- b) Review reports on any major defalcations, frauds and thefts from the entity and monitor procedures on fraud prevention;
- c) Ensure that management has put in place a process to identify, manage and report on the major risks facing the business;
- d) Review significant transactions which are not a normal part of the group's business;
- e) Review declarations from management on compliance with statutory responsibilities.

## **6.4. CORPORATE GOVERNANCE**

- a) Monitor developments in corporate governance practices;
- b) Benchmark the entity's policies against best practice;
- c) Ensure that policies exist to deal with conflicts of interest;
- d) Review past or proposed transactions between the corporation and members of management or the Board;
- e) Make recommendations on corporate governance standards and practices to the Board;
- f) Review documentation relation to corporate governance on an annual basis eg. Audit and Financial Risk Committee Charter, Board Charter, Corporate Governance Statement, Board Code of Conduct and Directors' Dealing in Securities.

## **6.5. OTHER**

The Audit and Financial Risk Committee shall perform other duties and activities that it and the Board considers appropriate.

Other non-executive Directors of the Board are entitled to attend Audit and Financial Risk Committee meetings and receive copies of papers considered by the Audit and Financial Risk Committee.

## **7. AUTHORITY**

The Audit and Financial Risk Committee shall have the authority to seek any information it requires from any officer or employee of the Company or its controlled entities and such officers or employees shall be instructed by the Board of the Company to respond to such enquiries. The Audit and Financial Risk Committee is authorized to take such independent professional advice as it considers necessary.

The Audit and Financial Risk Committee shall have no executive powers with regard to its findings and recommendations.

## **8. REPORTING**

The Chairman of the Audit and Financial Risk Committee shall report the findings and recommendations of the Audit and Financial Risk Committee to the Board after each Audit and Financial Risk Committee meeting. The minutes of all Audit and Financial Risk Committee meetings shall be circulated to members of the Board.

## **9. PERFORMANCE**

The Board will assess the performance of the Audit and Financial Risk Committee on an annual basis.

## **ATTACHMENT B – REMUNERATION COMMITTEE CHARTER**

### **1. GENERAL SCOPE AND AUTHORITY**

- (a) The Remuneration Committee is a committee of the Board. The Charter is subject to review and approval by the Board as required.
- (b) The primary purpose of the Remuneration Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by:
  - (i) reviewing and approving the executive remuneration and benefits policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
  - (ii) ensuring that the executive remuneration and benefits policy demonstrates a clear relationship between key executive performance and remuneration;
  - (iii) recommending to the Board the remuneration and benefits of executive Directors;
  - (iv) fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
  - (v) reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
  - (vi) reviewing and approving the remuneration and benefits of direct reports to the Managing Director, and as appropriate other senior executives; and
  - (vii) reviewing and approving any equity based plans and other incentive schemes
- (c) The Remuneration Committee shall have the right to seek any information it considers necessary to fulfil its duties, which includes the right to obtain appropriate external advice at the Company's expense.

### **2. COMPOSITION**

- (a) The Remuneration Committee will be appointed by the Board and shall comprise not less than three non-executive directors (unless otherwise determined by the Board), with a majority being independent.
- (b) Should the number of non-executive directors on the Board be less than three, all Remuneration Committee matters as outlined in this Charter will be dealt with by the full Board in specific Board meetings addressing only Remuneration Committee matters.
- (c) The Board shall appoint one of the Remuneration Committee members, other than the Chair of the Board or Audit Committee, to serve as the Remuneration Committee Chair. The Chair must be an independent director. The Chair and Remuneration Committee membership will be confirmed annually.
- (d) The Board may appoint such additional non-executive Directors to the Remuneration Committee or remove and replace members of the Remuneration Committee by resolution.

### **3. SECRETARY**

- (a) The Company Secretary or their nominee shall be the Secretary of the Remuneration Committee, and shall attend meetings of the Remuneration Committee as required.
- (b) The Secretary will be responsible for keeping the minutes of meeting of the Remuneration Committee and circulating them to Remuneration Committee members and to the other members of the Board.
- (c) The Secretary shall distribute supporting papers for each meeting of the Remuneration Committee as far in advance as possible, with a minimum 3 business days.

### **4. MEETINGS**

- (a) The Remuneration Committee will meet at least once per year and additionally as circumstances may require or as often as the Remuneration Committee members deem necessary in order to fulfil their role.
- (b) Meetings are called by the Secretary as directed by the Chairman of the Remuneration Committee, or at the request of the Board.
- (c) A quorum for any Remuneration Committee meeting will comprise any two independent non-executive Director Remuneration Committee members. In the absence of the Remuneration Committee Chairman or appointed delegate, the members shall elect one of their number as Chairman for that meeting.
- (d) Where deemed appropriate by the Chairman of the Remuneration Committee, meetings and subsequent approvals may be held or concluded by way of a circular written resolution or a conference call.
- (e) Decisions will be based on a majority of votes with the Chairman having the casting vote.
- (f) The Remuneration Committee may invite any executive management team members or other individuals, including external third parties, to attend meetings of the Remuneration Committee, as they consider appropriate.

### **5. ACCESS**

- (a) Members of the Remuneration Committee have rights of access to the books and records of the Company to enable them to discharge their duties as Remuneration Committee members, except where the Board determines that such access would be adverse to the Company's interests.
- (b) The Remuneration Committee may consult independent experts to assist it in carrying out its duties and responsibilities. Any costs incurred as a result of the Remuneration Committee consulting an independent expert will be borne by the Company.

## **6. DUTIES AND RESPONSIBILITIES**

In order to fulfil its responsibilities to the Board, the Remuneration Committee shall:

### **(a) Executive Remuneration and Benefits Policy**

- (i) Review and approve the Group's recruitment, retention and termination policies and procedures for senior executives to enable the Company to attract and retain executives and Directors who can create value for shareholders;
- (ii) Review the on-going appropriateness and relevance of the executive remuneration policy and other executive benefit programs; and
- (iii) Ensure that remuneration policies fairly and responsibly reward executives having regard to the performance of the Company, the performance of the executive and prevailing remuneration expectations in the market

### **(b) Executive Directors and Senior Management**

- (i) Consider and make recommendations to the Board on the remuneration and benefits for each executive Director (including base pay, incentive payments, equity awards, retirement rights, service contracts) having regard to the executive remuneration policy; and
- (ii) Review and approve the proposed remuneration and benefits (including incentive awards, equity awards and service contracts) for the Managing Director and direct reports of the Managing Director. As part of this review the Remuneration Committee will oversee an annual performance evaluation of the executive team. This evaluation is based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.

### **(c) Executive Incentive Plan**

Review and approve the design of any executive incentive plans.

### **(d) Equity Based Plans**

- (i) Review and approve any equity based plans that may be introduced (**Plans**) in the light of legislative, regulatory and market developments;
- (ii) For each Plan, determine each year whether awards will be made under that Plan;
- (iii) Review and approve total proposed awards under each Plan;
- (iv) In addition to considering awards to executive Directors and direct reports to the Managing Director, review and approve proposed awards under each plan on an individual basis for executives as required under the rules governing each plan or as determined by the Remuneration Committee; and
- (v) Review, approve and keep under review performance hurdles for each equity based plan.



**(e) Remuneration Report**

Review and recommend to the Board for approval the Remuneration Report to be incorporated into the Annual Report.

**(f) Succession Planning**

Review management succession planning for the Company in general and specifically in regard to the Managing Director and direct reports to the Managing Director.

Recommend to the Board, appointments and terminations to senior executive positions reporting to the Group Managing Director. However, the Chair of the Board is authorized to approve the appointment or termination of employment of direct reports to the Managing Director where appropriate (that is when Board approval cannot be obtained within the required timeframe) and on the recommendation of the Managing Director.

**(g) Function of Representative Parties**

It is recognised that members of the Remuneration Committee are non-executive employees of the Avalon Minerals Group and generally do not represent themselves to be experts in the fields of remuneration.

Each member of the Remuneration Committee is entitled to rely on executives of the Group, on matters within their responsibility, and on external professionals on matters within their areas of expertise, and may rely on the accuracy of information provided by such persons where the Remuneration Committee has reasonably assured themselves of the quality/capability of the expert.

**(h) Other**

The Remuneration Committee shall perform other duties and activities that it or the Board considers appropriate.

The Chair of the Remuneration Committee will report to the Board, at the Board meeting next following a meeting of the Remuneration Committee, on matters considered by the Remuneration Committee.

Other non-executive Directors of the Board are entitled to attend Remuneration Committee meetings and receive copies of papers considered by the Remuneration Committee.

For avoidance of doubt, Non-executive Director remuneration is a matter for full Board consideration and not a responsibility of the Remuneration Committee.

If engaging third-party experts, the Remuneration Committee may do so in a manner that ensures the engagement and any advice received is independent.

The Charter provides the roles, responsibilities and terms of operation for the Remuneration Committee, which operates on behalf of the Board for all Group entities.

This charter should be reviewed at least annually and changes recommended to the Board for approval.

## **7. APPROVALS**

The Remuneration Committee must approve the following prior to implementation:

- (a) changes to the remuneration and benefits or contract terms of executive Directors and direct reports to the Managing Director and the Managing Director;
- (b) the Plans or amendments to current equity plans or executive cash-based incentive plans;
- (c) total level of awards proposed from equity plans or executive cash-based incentive plans; and
- (d) termination payments to executive Directors or direct reports to the Managing Director. Termination payments to other departing executives should be reported to the Remuneration Committee at its next meeting.

## **ATTACHMENT C – RISK MANAGEMENT COMMITTEE CHARTER**

### **Constitution**

As and when it is required a Risk Management Committee will be established by resolution of the Board.

### **Membership**

The Risk Management Committee shall be appointed by the Board from among the Directors of the Company and shall consist of not less than two members with the majority being independent Directors if this is possible.

Directors will be appointed to the Risk Management Committee for a term of 3 years or such shorter time as they remain in the office of Director.

Directors may serve consecutive terms on the Risk Management Committee.

### **Chairman**

The Risk Management Committee shall appoint a Chairman of the Committee.

### **Company Secretary**

The Company Secretary shall be the Secretary of the Risk Management Committee.

### **Quorum**

A quorum shall be two members.

### **Reporting Procedures**

The minutes are to be tabled at the Board meeting following the Risk Management Committee meeting along with any recommendations of the Committee.

### **Duties**

The duties of the Risk Management Committee are to provide recommendations to the Board about:

1. Assessing the internal processes for determining and managing key risk areas, particularly:
  - non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;
  - litigation and claims; and
  - relevant business risks other than those that are dealt with by other specific Board Committees.
2. Ensuring that the Company has an effective risk management system and that major risks to the Company are reported at least annually to the Board.
3. Receiving from management reports on all suspected and actual frauds, thefts and breaches of laws.
4. Evaluating the process the Company has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
5. Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
6. Meeting periodically with key management, internal and external auditors and compliance staff to understand and discuss the Company's control environment.

## **ATTACHMENT D – NOMINATION COMMITTEE CHARTER**

### **Constitution**

As and when it is required a Nomination Committee will be established by resolution of the Board.

### **Membership**

The Nomination Committee will normally be comprised of two Directors.

### **Chairman**

The Chairman of the Board will Chair the Committee.

### **Quorum**

A quorum shall be two members.

### **Meeting Frequency**

Nomination Committee meetings will be held not less than once a year so as to enable the Committee to undertake its role effectively.

### **Reporting**

The minutes of the Committee meeting are to be tabled at the next Board meeting following the Committee meeting along with any recommendations of the Committee.

### **Duties**

The Nomination Committee makes recommendations for Board review. The Nomination Committee is responsible for:

- Developing and regularly reviewing a policy on Board structure.
- Developing criteria for Board membership.
- Identifying and screening specific candidates for nomination.
- Ensuring there is an appropriate induction and orientation program in place.
- Making recommendations to the Board for committee membership.
- Ensuring there is an appropriate Board succession plan in place.
- Ensuring the performance of the Board and its members is regularly reviewed.
- Developing with Directors an appropriate training and development program.
- Overseeing management's succession planning including the CEO/MD and his/her direct reports.
- Assisting the Chairman in advising Directors about their performance and possible retirement.
- Reviewing the policy in respect of tenure, remuneration and retirement of Directors.

## **ATTACHMENT E – POLICY ON CONTINUOUS DISCLOSURE**

### **1 Purpose and Scope**

The Company is a listed company on the Australian Stock Exchange and must meet the requirements of ASX Listing Rule 3.1 (Continuous Disclosure) to keep the market informed of material events as they occur. This document describes the policy for directors and Executive Management who become aware of material information which may require disclosure under the ASX Listing Rules.

Compliance with this policy does not obviate the need for the Company to comply with ASX Listing Rule 4.10 'Annual Report Disclosure'.

### **2 Responsibilities**

#### **2.1 Executive Management**

- (a) Understand the continuous disclosure regulations
- (b) Report potentially material information immediately to either the Company Secretary, the Managing Director or the Chairperson.

#### **2.2 Company Secretary**

- (a) Liaise with the Managing Director/Board Chairperson on information supplied to determine if it needs to be disclosed under continuous disclosure regulations.
- (b) Report the material information to the ASX.

### **3 Policy**

- (a) Executive Management will make themselves aware of the continuous disclosure regulations in the ASX Listing Rules.
- (b) In the event that any member of management becomes aware of any fact or circumstance which may give rise to a requirement to disclose such information under the Listing Rules, they will immediately inform either the Company Secretary, the Managing Director or the Chairperson.
- (c) Prior to disclosure, the Company Secretary, in conjunction with the Managing Director and/or the Board Chairperson, will review the information to enable a judgement as to the appropriate disclosure to be made.
- (d) If there is uncertainty over the requirement to comply with the continual disclosure requirements then the Company will seek external legal advice.
- (e) The Company, through the Company Secretary, will notify the ASX of any information it is determined is required to be disclosed.

#### **3.1 In accordance with the ASX Listing Rules, the Company will immediately notify the ASX of information:**

- (a) concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and

- (b) that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The only exception to this is where the ASX Listing Rules do not require such information to be disclosed.

### **3.2 Internal notification and decision-making concerning the disclosure obligation**

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary will be responsible for ensuring that Company announcements are made in a timely manner, and will establish a vetting procedure to ensure that the announcements are factual and do not omit any material information.

The Company Secretary will also ensure that Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

To assist the Company Secretary fulfil the Company's disclosure requirements, executive staff are responsible for immediately communicating to the Company Secretary any possible continuous disclosure matter concerning the operations of the Company. Executive staff are responsible for ensuring that the information is provided to the Company Secretary as soon as they become aware of it and that it is factual and does not omit any material information. Executive staff will promptly respond to requests from the Company Secretary for further information concerning the possible continuous disclosure matter.

The Company Secretary after consultation with the Chairman and CEO/MD determines whether information should be disclosed to the ASX.

### **3.3 Promoting and monitoring compliance**

The Company has a Continuous Disclosure Committee, comprising the following:

- (a) Company Secretary;
- (b) Board of Directors'; and
- (c) CEO/MD;

The purpose of the Continuous Disclosure Committee is to promote and monitor compliance with the Company's continuous disclosure obligations and to ensure that all employees are aware of this policy. In addition, the Continuous Disclosure Committee is responsible for ensuring that all staff are aware of the type of information that needs to be communicated and their obligation to communicate to the Company Secretary any possible continuous disclosure matter.

A meeting of the Committee may be convened from time to time to consider particular continuous disclosure issues.

On a daily basis, the Company Secretary is charged with monitoring compliance with this policy. As part of that monitoring, all major announcements to the ASX will be reviewed for compliance with this policy. All public announcements will also be audited for compliance. These compliance reviews will be reported to the Continuous Disclosure Committee as part of their regular review of compliance.

Any possible non-compliance will be reported to the Board at its next meeting. The Company Secretary must notify both the Chairman and the CEO/MD at the earliest opportunity if they believe that a false market in the Company's securities either exists or has the possibility to exist.

### **3.4 Measures for seeking to avoid the emergence of a false market in the company's securities**

The Company recognises that a false market in the Company's securities may result if the Company provides incomplete information to the ASX or if the Company fails to respond to market and media speculation that may, or may be likely to, have an impact on the price of the Company's securities.

While the Company does not, in general, respond to market speculation or rumours unless required to do so by law or the ASX, the Company is committed to disclosing as much information as possible, without harming the Company, to a wide audience of investors through media releases of important milestones, including information that may not strictly be required under continuous disclosure requirements. Information given to the ASX for market release will also be provided to investors through media releases.

Where appropriate, the Company will request a trading halt from the ASX to prevent trading in the Company's securities by an inefficient and uninformed market until the Company can make an announcement to the market.

### **3.5 Safeguarding confidentiality of corporate information to avoid premature disclosure**

All employees are advised of the confidentiality of Company information. In addition, the Company imposes communication blackout periods for financial information between the end of financial reporting periods and the announcement of results to the market via the ASX. To protect against inadvertent disclosure of price sensitive information, the Company does not hold meetings or briefings to discuss financial information with individual investors, institutional investors, analysts or media representatives during the communication blackout periods, unless such meetings or briefings are the subject of a specific announcement to the market via the ASX.

### **3.6 Media contact and comment**

The Board has designated the CEO/MD or the Chairman (where appropriate) to speak to the press on matters associated with the Company. In speaking to the press, the CEO/MD or the Chairman will not comment on price sensitive information that has not already been disclosed to ASX, however, they may clarify previously released information. To assist in safeguarding against the inadvertent disclosure of price sensitive information, the CEO/MD and the Chairman will be informed of what the Company has previously disclosed to the market on any issue prior to briefing anyone outside the Company.

The Chairman is authorised to comment on:

- (a) Annual and half yearly results at the time of the release of the annual or half yearly report
- (b) Resolutions to be put to General Meetings of the Company
- (c) Changes in Directors, any matter related to the composition of the Board or Board processes
- (d) Any speculation concerning Board meetings or the outcomes of Board meetings
- (e) Other matters specifically related to shareholders.

The CEO/MD is authorised to comment on:

- (a) The Company's future outlook
- (b) Any operational matter
- (c) Media queries concerning operational issues which reflect either positively or negatively on the Company
- (d) Proposed or actual legal actions
- (e) Queries and general discussion concerning the Company's industry.

There will be times when Directors and employees will be approached by the media for public comment. On such occasions, the Director(s) or employee(s) should comply with the following:

- (a) Refer the person to the CEO/MD or Chairman of the Board as appropriate for comment;
- (b) Refrain from disclosing any information, documents or other forms of data to the person without the prior consent of the CEO/MD or the Chairman of the Board;
- (c) Report the person who contacted the Director/employee, the reason (explicit or inferred) for the contact and a summary of any other relevant information as soon as possible to the CEO/MD or the Chairman.

### **3.7 External communications including analyst briefings and responses to shareholder questions**

The Company discloses its financial and operational results to the market each year/half year/quarter as well as informing the market of other events throughout the year as they occur. Quarterly financial reports, media releases and AGM speeches are all lodged with the ASX. As all financial information is disclosed through the ASX, the Company will only comment on factual errors in information and underlying assumptions when commenting on market analysts' financial projections, rather than commenting on the projections themselves.

In addition to the above disclosures, the Company does conduct briefings and discussions with analysts and institutional investors. However, price sensitive information will not be discussed unless that particular information has been formally disclosed to the market via an ASX announcement. Slides and presentations used in briefings will also be released immediately prior to the briefing to the market via the ASX

After the conclusion of each briefing or discussion, it will be reviewed to determine whether any price sensitive information has been inadvertently disclosed. If any price sensitive information was disclosed, it will be announced immediately to the ASX.

Similarly, when answering shareholder questions, price sensitive information will not be discussed unless that particular information has been formally disclosed to the market via an ASX announcement. Where a question can only be answered by disclosing price sensitive information, the Company will decline to answer it or take it on notice and announce the information to ASX prior to responding.

If any new price sensitive information is to be used in briefing media, institutional investors and analysts or in answering shareholder queries, written materials containing such information will be



lodged with the ASX prior to the briefing commencing. These briefing materials may also include information that may not strictly be required under continuous disclosure requirements.

This policy will form a component of the induction process for all new employees (managers).

The Company is committed to the full and accurate reporting of its financial results. Consequently, when complying with its periodic disclosure requirements, the Company will provide commentary on its financial results. The purpose of the commentary will be to clarify and balance the information in the financial results. This commentary will be delivered in a manner that is neutral, free from any bias and easy to understand. This may involve the provision of both positive and negative information about the Company that the Company believes is necessary to keep investors fully informed.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- (a) Communicating effectively with shareholders;
- (b) Giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; and
- (c) Making it easy for shareholders to participate in general meetings of the Company.

### **3.8 Provision of Information**

The Company will communicate with shareholders in three main ways:

- (a) Through releases to the market via the ASX;
- (b) Through information provided directly to shareholders; and at general meetings of the Company.
- (c) Market Releases

It is the Company's policy to comply with its continuous and periodic disclosure obligations. In accordance with the Company's continuous disclosure policy, unless exempted by the ASX Listing Rules, the Company will immediately notify the ASX of information:

- (a) Concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- (b) That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

### **3.9 Company Website**

The Company has developed and maintains a Company website ([Sunstonemetals.com.au](http://Sunstonemetals.com.au)) with general information about the Company and its operations, details of the Company's corporate governance policies and procedures and information specifically targeted at keeping the Company's shareholders informed about the Company.

In particular, where appropriate, after confirmation of receipt by the ASX, the following will be posted to the Company website:

- (a) Relevant announcements made to the market via the ASX;
- (b) Media releases;
- (c) Information provided to analysts or the media during briefings;
- (d) The full text of notices of meeting and explanatory material;
- (e) Information related to general meetings, including the Chairman's address, speeches and voting results;
- (f) Copies of press releases and announcements for the preceding year; and
- (g) Copies of annual and half-yearly reports including financial statements for the preceding year.

Where possible, the website will also be used for web-casting or teleconferencing analyst and media briefings as well as general meetings of the Company. Where the Company does web-cast the preceding events, and even where it is not possible to do so, a transcript or summary of the information discussed will be posted to the Company's website.

### **3.10 Direct Communications with Shareholders**

Throughout the year it may be appropriate for the Company to directly communicate with shareholders. For example, to give shareholders notice of general meetings or to update shareholders by way of a Chairman's letter.

In relation to information that is directly communicated to shareholders, all shareholders have the right to elect to receive all such information by post, facsimile or electronic mail.

### **3.11 Meetings of the Company**

In preparing for general meetings of the Company, the Company will draft the notice of meeting and related explanatory information so that they provide all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. This information will be presented clearly and concisely so that it is easy to understand and not ambiguous.

The Company will use general meetings as a tool to effectively communicate with shareholders and allow shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting.

The external auditor of the Company will be asked to attend each annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### **3.12 Other Information**

While the Company aims to provide sufficient information to shareholders about the Company and its activities, it understands that shareholders may have specific questions and require additional information. To ensure that shareholders can obtain all relevant information to assist them in

exercising their rights as shareholders, the Company will make available a telephone number and email address for shareholders to make their enquiries

#### **4       Associated Documents**

4.1       Annual Report Disclosure

4.2       ASX Listing Rules

## **ATTACHMENT F – POLICY ON TRADING IN COMPANY SECURITIES**

Policy updated on 11 March 2020 refer to separate document.

## **ATTACHMENT G – POLICY ON SELECTION, APPOINTMENT AND ROTATION OF EXTERNAL AUDITORS**

### **1 Selection of External Auditors**

Should there be a vacancy for the position of external auditor, the Company, through the Board, will conduct a formal process, either general or selective, to select which audit firm will fill the vacancy.

Audit firms are evaluated in accordance with criteria, as appropriate from time to time, and are not assessed solely on the basis of who is cheapest, but on a number of issues such as:

- (a) Skills and knowledge of the team proposed to do the work;
- (b) Quality of work;
- (c) Independence of the audit firm;
- (d) Lead signing partner and independent review partner rotation and succession planning policy;
- (e) Value for money; and
- (f) Ethical behaviour and fair dealing.

### **2 Appointment of External Auditors**

The Board identifies and recommends an appropriate external audit partner for appointment by the Board and/or the Company in general meeting. The appointment is made in writing.

### **3 Rotation of External Audit Partners**

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to the Company's accounts for a period of more than five consecutive years. Further, once rotated off the Company's accounts no partner of the external auditor may assume any responsibility in relation to the Company's accounts for a period of three consecutive years. This requires succession planning on the part of the external auditor, a process in which the Company is involved.

## ATTACHMENT H – POLICY ON RISK MANAGEMENT

Risk management is a complex and critical component of the Company's governance, the Board will oversee and guide the detail of risk management. The CEO/MD is charged with implementing appropriate risk systems within the Company. Aspects of this process may be delegated.

The risk management system is based on Australian Standard AS/NZS4360:1999.

Risk management is considered a key governance and management process. It is not an exercise merely to ensure regulatory compliance. Therefore, the primary objectives of the risk management system at the Company are to ensure:

- (a) All major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- (b) Business decisions throughout the Company appropriately balance the risk and reward trade off;
- (c) Regulatory compliance and integrity in reporting are achieved; and
- (d) Senior management, the Board and investors understand the risk profile of the Company.

In line with these objectives, the risk management system covers:

- (a) Operations risk;
- (b) Financial reporting; and
- (c) Compliance.

The Board reviews all major strategies and purchases for their impact on the risk facing the Company and makes appropriate recommendations. The Company also undertakes an annual review of operations to update its risk profile. This normally occurs in conjunction with the strategic planning process.

The Board undertakes a regular review, and at least annually, of those areas of risk identified. In addition, as specified by Recommendation 7.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the CEO/MD and CFO provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements.

The Board of the Company has identified a range of specific risks that have the potential to have an adverse impact on its business.

These include:

- Operational Risk
- Environmental risks
- Insurance risk
- Litigation risks
- Financial Risk
- Treasury and finance risks
- Compliance Risk

## **ATTACHMENT I – CODE OF CONDUCT**

### **Commitment to the Code of Conduct**

The Board, management and all employees of the Company are committed to implementing the Company's core principles and values as stated in this Code of Conduct when dealing with customers, clients, government authorities, creditors and the community as whole as well as other employees.

The Company is dedicated to delivering outstanding performance for investors, customers, consumers and employees. The Company aspires to be the leader in its field while operating openly, with honesty, integrity and responsibility and maintaining a strong sense of corporate social responsibility. In maintaining its corporate social responsibility the Company will conduct its business ethically and according to its values, encourage community initiatives, consider the environment and ensure a safe, equal and supportive workplace.

### **1 Responsibilities to Shareholders and the Financial Community Generally**

The Company is committed to delivering value to its shareholders and to representing the Company's growth and progress truthfully and accurately. The Company also complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights.

The Company is committed to safeguarding the integrity of financial reporting and as such will openly promote and instigate a structure of review and authorisation designed to ensure the truthful and factual presentation of the company's financial position. The company will prepare and maintain its accounts fairly and accurately in accordance with the accounting and financial reporting standards that represent the generally accepted guidelines, principles, standards, laws and regulations of the country in which the company conducts its business.

### **2 Responsibilities to Clients, Customers and Consumers**

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. Each employee will assist the Company in the delivery of superior service and product quality to each client, customer and consumer. The Company regards ethics, honesty and clear communication as the cornerstones of its reputation and allow the Company to build successful and lasting business relationships.

The Company for its part is committed to providing clients, customers and consumers with fair value.

### **3 Employment Practices**

The Company will:

- (a) Provide a workplace that is safe for employees and that complies with the spirit as well as the letter of workplace health and safety laws.
- (b) Promote equal opportunity for all employees at all levels of the Company irrespective of colour, race, gender, age, ethnicity or religious beliefs.
- (c) Provide equal opportunity to all qualified individuals in recruitment, compensation, promotion, training and other employment practices.
- (d) Compensate all employees, including those working outside Australia, in a fair and ethical manner and where appropriate, in accordance with Company policy, provide special entitlements above the statutory minimum.

- (e) Encourage employee share ownership, but will instigate and enforce policies regarding trading in those securities where employees have inside information.
- (f) Provide opportunities for employee training and education both through the provision of training and the support of employees pursuing further education outside of the Company.
- (g) Recognise the need from time to time to give or accept customary business courtesies in accordance with ethical business practices, however, employees will not solicit such courtesies and will not accept gifts, services, benefits or hospitality that might influence, or appear to influence, the employee's conduct in representing the Company.
- (h) Not tolerate the offering or acceptance of bribes, inducements or unauthorised commissions by any of its employees or officers.
- (i) Not tolerate the misuse of Company assets or resources and employees will not use such assets or resources for their own benefit.
- (j) Seek to avoid conflicts of interest so that an employee's interests, or the interests of a family member of the employee, do not affect the way he or she handles the Company's business.
- (k) Not tolerate employees being under the influence of illegal drugs or alcohol while on Company premises or while at work off Company premises.
- (l) Unless, otherwise agreed in writing between the Company and the employee, expect employees to work exclusively for the Company.

#### **4 Obligations Relative to Fair Trading and Dealing**

The Company strives to deal fairly with the Company's customers, suppliers, competitors and employees and encourages its employees to strive to do the same. Employees are prohibited from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other practice that involves unfair dealing.

In its competitive environment, the Company will compete fairly and ethically and in accordance with the competition laws of Australia and of each country in which the Company operates. The Company aims to conduct its business fairly. It will compete solely on the qualities of its products and services. The Company deems false statements, misleading statements or innuendo as being inappropriate and unacceptable.

As part of its commitment to fair trading, the Company has adopted a policy that employees will:

- (a) Fulfil the Company's requirements in awarding orders, contracts and commitments to suppliers of goods and services on a sound business basis and on the ability of the customer or supplier, and that their decisions will not be based on personal favouritism;
- (b) Not unfairly differ between customers when supplying products or services;
- (c) Not refuse to deal with, or discriminate against, a customer for any improper reason; and
- (d) Not intimidate or threaten another person or organisation.

#### **5 Responsibilities to the Community**

##### The Environment



The Company is committed to conducting its business in accordance with the spirit and letter of all applicable environmental laws and regulations. To this end the Company encourages all employees to have regard for the environment when carrying out their duties.

#### Community Activities

All employees are encouraged to engage in activities beneficial to their local community. While normally these activities should occur outside work hours, employees may occasionally engage in community activities during work hours with the approval of the CEO/MD as long as the activities do not interfere with the employee's job responsibilities.

#### Donations and Sponsorship

The Company receives a number of requests for sponsorship in the form of either monetary donations or in kind. As a result, the Company has developed an approved list of charities that it supports. This list changes from time to time. Consequently, all employees should refer requests for sponsorship to the CEO/MD.

The Company does encourage all employees to make donations to community organisations from their personal funds. However, it should be made clear that all such donations are from the employee personally and not from the Company.

Responsibility to the Individual

#### Privacy

The Company receives private information from its employees. Unless required by law, such personal information will not be shared with a third party without the consent of the employee. Within the Company, personal information on employees will only be provided on a "need to know" basis and will only be used for the purpose for which it was intended.

Similarly, employees will often be furnished with personal information from clients, customers, consumers and investors. Unless required by law, such personal information will not be shared with a third party without the consent of the person providing the information.

#### Confidential Information

All employees must maintain the confidentiality of business information and protect it from any disclosure. This obligation of confidentiality applies while an employee as well as after ceasing to be an employee of the Company.

Information that must be kept confidential includes internal, confidential or proprietary information related to the Company's business, technological and other knowledge, processes, computer passwords, computer software, product formulations, business strategies and plans, and information concerning the Company's operations, customers, vendors, suppliers and employees.

#### Conflicts of Interest

Where an individual's private interests are in variance in any way with the interests of the Company as a whole a conflict of interest exists. Further, a conflict of interest can be seen to exist where an employee or family member has a direct or indirect financial interest in, or receives any compensation/other benefit from, any individual or firm that:

- (a) Sells material, equipment or property to the Company;
- (b) Provides any service to the Company;

- (c) Has business dealings or contractual relations with the Company including leases and purchases; or
- (d) Is engaged in a similar business or competes with the Company.

Employees and Directors must avoid conflicts between personal interests and the interests of the Company, or even the semblance of such interests. Where an employee or Director is concerned that there may be a conflict of interest it should be discussed with the Chairman as soon as possible.

## **6 How the Company complies with legislation affecting its operations**

### Within Australia

The Company strives to comply with the spirit and the letter of all legislation affecting its operations.

### Outside Australia

The Company will abide by local laws in all countries in which it operates. However, the Company recognises that the laws in some countries may not be as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts". Consequently, where Company policy is more stringent than the local laws, Company policy will prevail.

## **7 How the Company Monitors and Ensures Compliance with its Code**

The Board, management and all employees of the Company are committed to implementing this Code of Conduct. Therefore, it is up to each individual to comply with the Code and they will be accountable for such compliance. Where an employee is concerned that there has been a violation of this Code, it can be reported in good faith to the CEO/MD. While a record of such reports will be kept by the Company for the purposes of the investigation, the report may be made anonymously. No one making such a report will be subject to any form of retribution.

The disciplinary measures that may be imposed for violations of this Code include, but are not limited to, counselling, verbal or written reprimands, warnings, suspension without pay, demotion, reduction in salary, termination of employment or restitution.