

# HANNANS

## Board Charter

**2023**

This statement is current as at 20 September 2023 and has been approved by the Board of Hannans Ltd



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[info@hannans.com](mailto:info@hannans.com)

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## 1 Introduction

Hannans Ltd (**Hannans** or the **Company**) is an ASX listed exploration company with a focus to recover high purity metals from spent and off specification lithium-ion batteries in United Kingdom, Ireland, Italy, Southern Europe, Sweden, Norway, Denmark and Finland.

The Board 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.

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

The Company's Board Charter has four major sections:

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

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 an evergreen process, and as a result this Board Charter is a living document. 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.

The Company recognises the overriding importance of its legal obligations which arise from various sources. Accordingly, nothing in this Charter must conflict with the Company's Constitution (**Constitution**), the Corporations Act or the ASX Listing Rules. If such a conflict occurs, the Constitution, Corporations Act and the ASX Listing Rules shall prevail.

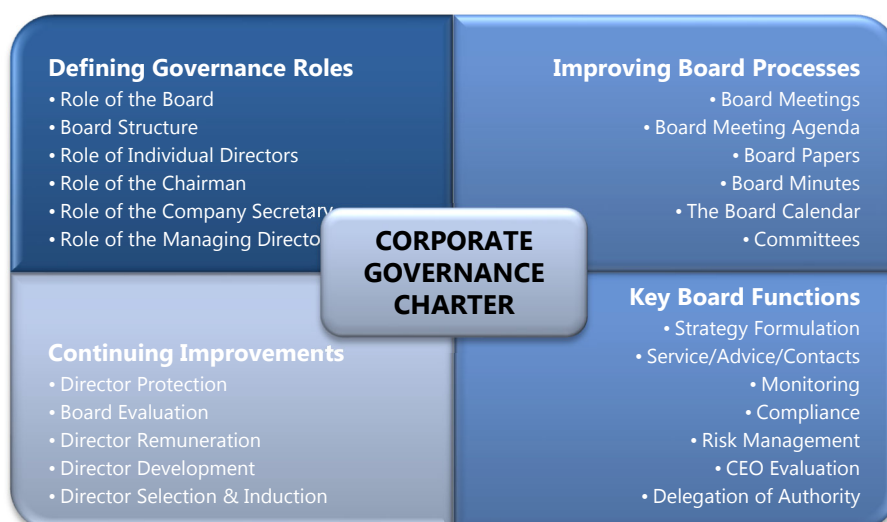
Any reference to gender in this document should be interpreted as applicable to both males and females.

### A. DEFINING GOVERNANCE ROLES

#### 1.1 THE ROLE OF THE BOARD

The Board is ultimately responsible for all matters relating to the running 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 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 Managing and/or 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 to be done 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<sup>1</sup>, rules and procedures to enforce ethical behaviour and provide guidance on appropriate work methods; and
  - 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 and amending or updating the Company's strategic direction and goals;
  - ensuring that an appropriate set of internal controls are implemented and reviewed regularly;
  - overseeing planning activities including the development and approval of strategic plans, annual plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets; and
  - reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis.
- ▶ Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy<sup>2</sup>, 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 Managing/Executive Director, and/or Chief Executive Officer (**Executive Officer**) including:
    - appointing and remunerating the Executive Officer;

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<sup>1</sup> Recommendation 3.1 recommends that a company establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. Refer to the Hannans Code of Conduct.

<sup>2</sup> This relates to Recommendation 6.2.

- providing advice and counsel to the Executive Officer including formal reviews and feedback on his or her performance; and
- overseeing the development or removal the Executive Officer, where necessary.
- ratifying the appointment, the terms and conditions of the appointment and, where appropriate, removal of the Chief Financial Officer (**CFO**) and/or Company Secretary;
- ensuring that an appropriate succession plan for the Executive Officer, CFO and Company Secretary is in place; and
- 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 Executive Officer, management and committees to ensure the effective day-to-day management of the business and monitoring the exercise of these powers.
- ▶ Making all decisions outside the scope of these delegated powers including:
  - approving all operational expenditures more than 10% outside the approved budget;
  - approving the details of all items of capital expenditure in excess of \$100,000; and
  - approving all mergers, acquisitions or property disposals in excess of \$100,000; and
  - approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.

The detail of some Board functions may be handled through Board 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.

## 1.2 BOARD STRUCTURE

### 1.2.1 NUMBER OF DIRECTORS

The Board has determined that, consistent with the size of the Company and its activities, the Board shall be comprised of four Directors, three of whom, including the Chairman, are non-executive.

The Board's policy is that the Chairman shall be an independent, non-executive Director. This ensures that all Board discussions or decisions have the benefit of outside views and experience, and that the Chairman is 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 Principles and Recommendations (3rd Edition).

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. The balance of skills and experience of the Board is to be reviewed by the company's advisers.

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.

### 1.2.2 APPOINTMENT OF DIRECTORS

The Company undertakes to complete appropriate checks before the appointment of a Director. The following information about a candidate standing for election or re-election as a Director

should be provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate:

- ▶ biographical details, including their relevant qualifications and experience and the skills they bring to the board;
- ▶ details of any other material directorships currently held by the candidate;
- ▶ in the case of a candidate standing for election as a director for the first time:
  - any material adverse information revealed by the checks the entity has performed about the director;
  - details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally; and
  - if the board considers that the candidate will, if elected, qualify as an independent director, a statement to that effect;
- ▶ in the case of a candidate standing for re-election as a director:
  - the term of office currently served by the director; and
  - if the board considers the director to be an independent director, a statement to that effect; and
- ▶ a statement by the board as to whether it supports the election or re-election of the candidate.

No person other than a Director seeking re-election shall be eligible for election to the office of Director at any general meeting unless he or some shareholder intending to propose him follows the procedures laid out in the Constitution. The Company shall observe the requirements of section 225 of the Corporations Act with respect to the election of the Directors.

Where the number of nominations for election as a director exceeds the number of directors who have or are to resign at the general meeting, the order which the nominations are to be voted on shall be determined by drawing lots and once the relevant vacancies have been filled, no further nominations shall be voted on.

### 1.2.3 DIRECTOR SKILLS, EXPERIENCE AND ATTRIBUTES

The Board in consultation with its advisers will maintain a regularly reviewed capabilities matrix. This matrix shall include technical skills, director capabilities and personal attributes. It will normally review the Board's composition against this matrix and recommend any changes in Board composition on at least an annual basis. An essential component of this matrix is the time availability of Directors.

### 1.2.4 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. The terms and conditions for Directors are contained in their letter of appointment.

## 1.3 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 as set out in its Statement of Board Functions. 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; and
- ▶ timely and effective decisions on matters reserved to it.

### 1.3.1 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 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 without appropriate authorisation.

### 1.3.2 CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

#### 1.3.2.1 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 and they will be entered into the Company's Register of Ongoing Conflicts of 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. Any amendments to disclosures are to be tabled at this time and entered into the Register of Ongoing Conflicts of Interest.

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.

### 1.3.2.2 RELATED PARTY TRANSACTIONS

Related party transactions include any financial transaction between a Director or officer and the Company and will be reported in writing to each Board meeting.

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.

To assist the Board in showing that a financial benefit, such as the awarding of a contract to a company in which a Director is a partner, is given on arm's length terms, the process outlined below (Potential Related Party Transaction) will be followed. The Board has also resolved that where applications are made by a related party 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.

The Company Secretary will maintain a Register of Related Parties Transactions as well as the Register of Ongoing Conflicts of Interests.

### 1.3.3 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.

## 1.4 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.

### 1.4.1 INSIDE THE BOARDROOM

Inside the boardroom the role of the Chairman is to:

- (a) Establish the agenda for Board meetings in consultation with the Executive Officer;
- (b) Chair Board meetings a Company's Constitution will normally specify the procedure for appointing an alternative Chairman for a Board meeting if the Chairman is not present within a certain amount of time of the time appointed for the holding of that meeting. For example, it is common practice that if the Chairman is not present within 15 minutes after the time appointed for the

holding of that meeting, a Director chosen by a majority of Directors present shall assume the role;

- (c) Be clear on what the Board has to achieve, both in the long and short term;
- (d) Provide guidance to other Board members about what is expected of them;
- (e) 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;
- (f) Brief all Directors in relation to issues arising at Board meetings;
- (g) Ensure that the decisions of the Board are implemented properly;
- (h) Ensure that the Board behaves in accordance with its Code of Conduct; and
- (i) Commence the annual process of Board and Director evaluation.

#### **1.4.2 OUTSIDE THE BOARDROOM**

Outside the boardroom the role of the Chairman is to:

- (a) In conjunction with the Executive Officer, undertake appropriate public relations activities;
- (b) Be the spokesperson for the Company at the AGM and in the reporting of performance and profit figures;
- (c) Be the major point of contact between the Board and the Executive Officer;
- (d) Be kept fully informed of current events by the Executive Officer on all matters which may be of interest to Directors;
- (e) Regularly review with the Executive Officer, and such other senior officers as the Executive Officer recommends, progress on important initiatives and significant issues facing the Company;
- (f) Provide mentoring for the Executive Officer; and
- (g) Initiate and oversee the annual Executive Officer evaluation process.

#### **1.5 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 as of right access to the Company Secretary.

The tasks of the Company Secretary shall include:

##### ***MEETINGS AND MINUTES***

- notifying the directors in writing in advance of a meeting of the Board as specified in the Constitution;
- ensuring that the agenda and Board papers are prepared and forwarded to Directors prior to the Board meeting as set out in the Board Policy Manual;

- recording, maintaining and distributing the minutes of all Board and Board Committee meetings as required;
- maintaining a complete set of Board 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 the Register of Ongoing Conflicts of Interests and the Register of Related Party Transactions;
- maintaining a Register of Company Policies as approved by the Board;
- maintaining, updating and ensuring that all directors have an up-to-date copy of the Board Charter and associated governance documentation;
- maintaining the complete list of the delegations of authority;
- reporting at each Board meeting the documents executed under a power of attorney, documents executed in accordance with section 127 of the Corporations Act, and reporting on the use of the seal register; and
- any other services the Chairman or Board may require.

### **1.6 ROLE OF THE MANAGING/EXECUTIVE DIRECTOR AND/OR CHIEF EXECUTIVE OFFICER (EXECUTIVE OFFICER)**

The Company appointed the Managing/Executive Director, and/or Chief Executive Officer (**Executive Officer**).

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

The Executive Officer'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 Executive Officer is of critical importance to the Company in guiding the company to develop new and imaginative ways of winning and conducting business.

The Executive Officer may manage a team of executives responsible for all functions contributing to the success of the Company.

The Executive Officer'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 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; 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;
- develop and motivate direct reports and their respective teams;
- select and appoint key staff (direct reports); and
- ensure there is an appropriate staff appraisal system in place in the Company.

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## **B. BOARD PROCESSES**

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### **2.1 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.

#### **2.1.1 MEETING FREQUENCY**

The Board will meet approximately four (4) times per year but no less than three times per year and, unless otherwise agreed, Committees will generally meet on a quarterly basis. 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.

#### **2.1.2 MEETING TIME AND LOCATION**

The Board usually meets at Company's headquarters or via telephone conference for Directors outside the metropolitan region. Board meetings usually commence at 3pm (Australian Western Standard Time) 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.

#### **2.1.3 MEETING CYCLE**

To assist the smooth running of Board processes, the Board has adopted an indicative monthly cycle as follows. The indicative cycle gives Board members seven days to review the agenda and Board 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, Board 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	-10
Company Secretary reviews the proposed agenda with the Chairman	-9
Board papers and agenda are finalised	-7
All Board papers are circulated to Board meeting attendees	-7
Board meeting	0
Draft minutes sent to Chairman	0 to 14
Draft minutes sent to Directors	15 to 21

*[All days indicated are calculated in relation to the Board 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.

#### 2.1.4 CONDUCT OF MEETING

The 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.

The Directors will elect from among them the Chairman of their meetings and may determine the period for which each is to hold office. Where a Directors meeting is held and a Chairman has not been elected or the Chairman is not present within 10 minutes after the time appointed for holding of the meeting, or is unwilling to act, the Director's present shall elect one of their number to be a Chairman of the directors meeting.

#### 2.1.5 QUORUM AND VOTING AT MEETINGS

In order for a decision of the Board to be valid, a quorum of directors must be present. In accordance with clause 13.2 of the Company's constitution, a quorum is 2 directors present and entitled to vote. Questions arising at Board meetings are to be decided by a majority of votes of Directors who are present and entitled to vote.

#### 2.1.6 EMERGENCY DECISION MAKING – WRITTEN RESOLUTIONS

In accordance with clause 13.10 of the Company's Constitution a resolution signed by all directors shall be as valid and effectual as if it had been passed at a director's meeting duly convened and held.

## 2.2 BOARD MEETING AGENDA

### 2.2.1 AGENDA CONTENT

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

### 2.2.2 AGENDA PREPARATION

The Company Secretary, in consultation with the Chairman and the Executive Officer is responsible for preparing an agenda for each Board meeting. However, any director may request items to be added to the agenda for upcoming meetings. The Company Secretary circulates the agenda to all directors with the Board papers at least seven days prior to the meeting.

## 2.3 BOARD PAPERS

### 2.3.1 PREPARATION AND CIRCULATION OF BOARD PAPERS

The Company Secretary together with the Executive Officer is responsible for the preparation and circulation of Board papers. The Board papers will be circulated to Directors prior to the Board 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 paper will be removed by the Company Secretary on the instructions of the Chairman, from the set of Board 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.

### 2.3.2 RETENTION OF BOARD PAPERS

The Company Secretary maintains a complete set of Board papers at the Company's headquarters.

## 2.4 BOARD MINUTES

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

## 2.5 BOARD CALENDAR

In order to provide an even distribution of work over each financial year, the Board will adopt a twelve-month Board Calendar. Included will be all scheduled Board and Committee meetings as well as major corporate and Board activities, such as strategic planning and the Executive Officer's evaluation, to be carried out in particular months. It will be updated and approved prior to the start of each calendar year.

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## C. KEY BOARD FUNCTIONS

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### 3.1 THE BOARD AND STRATEGY

Each year 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.

### 3.2 CONTACTS AND ADVISORY ROLE

#### 3.2.1 EXECUTIVE OFFICER ADVISORY ROLE

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

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.

#### 3.2.2 PROTOCOL FOR INTERACTION WITH INTERNAL AND EXTERNAL PARTIES

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

Refer to the Company's Continuous Disclosure Policy for further details.

### 3.2.3 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.

### 3.3 MONITORING

Another essential function of the Board is to monitor the performance of the organisation in implementing its strategy and overall operational performance. On an annual basis, the Board will review the previous year's strategic plan and provide the Executive Officer with the Board's assessment of the Company's performance.

### 3.4 COMPLIANCE

The Board is charged with overseeing, reviewing and ensuring the integrity and effectiveness of the Company's compliance systems.

### 3.5 RISK MANAGEMENT

Since risk management is a complex and critical component of the Company's governance, the Board has charged the Executive Officer with implementing appropriate risk systems within the Company. Aspects of this process may be delegated.

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:

- 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 covers:

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

The Executive Officer and Senior Management review all major strategies and purchases for their impact on the risk facing the Company and make appropriate recommendations to the Board. 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 receives a quarterly report on those areas of risk identified by the Executive Officer and Senior Management. In addition, as specified by Recommendation 7.2 of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, the Executive Officer and CFO provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements.

### 3.6 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.

As a consequence, 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 through resolution 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 as outlined in a relevant Board resolution.

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

### 3.6.1 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.

### 3.6.2 DECISIONS REQUIRING BOARD APPROVALS

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 \$100,000 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;
- 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 plan (including financial planning) for the Company or any part of the Company;
- taking or granting loans which exceed \$100,000 (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.



## D. CONTINUING IMPROVEMENTS

### 4.1 DIRECTOR PROTECTION

#### 4.1.1 INFORMATION SEEKING PROTOCOL

Directors will adhere to the following protocol when seeking information:

- (a) approach the Executive Officer to request the required data;
- (b) if the data is not forthcoming, approach the Chairman;
- (c) if the information is still not forthcoming, write a letter to all Board members and the Executive Officer detailing the information that is required, purpose of the information, and who the Director intends to approach in order to obtain the information; and
- (d) as a last resort, employ the provisions of the *Corporations Act*.

#### 4.1.2 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 Board must approve the engagement of an external expert.

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

#### 4.1.3 ACCESS TO BOARD PAPERS

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

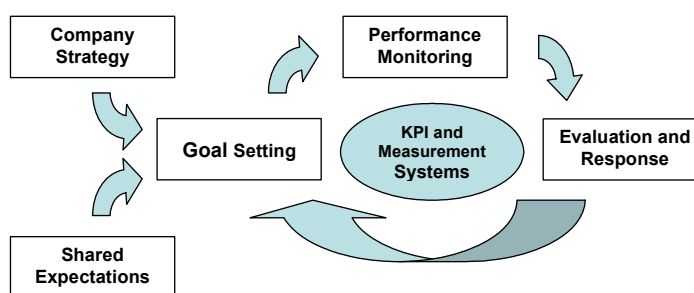
#### 4.1.4 INSURANCE

The Company holds a Directors' and Officers' Insurance Policy.

### 4.2 BOARD AND SENIOR EXECUTIVE EVALUATION

#### 4.2.1 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

#### 4.2.2 BOARD

The Board considers the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the Board undertakes an annual evaluation of Board and Director performance. The review is based on a number of goals for the Board and individual Directors that are established in the preceding nine months. The goals are based on corporate requirements and any areas for improvement identified in previous reviews. The Chairman provides 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.

#### 4.2.3 BOARD COMMITTEE EVALUATIONS

Each year, the Board sets a number of expectations of its Committees. These expectations are derived after considering the results of previous reviews, an assessment of the Company's current and future needs, and a review of each Committee's Charter or purpose. As a result of this review, the Board may amend or revoke a Committee's Charter.

Each year, the Board reviews the performance of the Committees and itself against these expectations. Every second year, this review is carried out by an independent party. Based upon the review, individuals and groups are provided with feedback on their performance the month following the review. The results of the review are a key input into the expectations set by the Board.

#### 4.2.4 SENIOR EXECUTIVE EVALUATIONS

All senior executives at the Company are subject to an annual performance evaluation. In June each year, senior executives (including the Executive Officer) establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and the Company's requirements of the position.

An informal assessment of progress is carried out half-yearly. A full evaluation of the executive's performance against the agreed targets takes place six months thereafter. 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.

### 4.3 EXECUTIVE DIRECTOR REMUNERATION

#### 4.3.1 FEES

Fixed remuneration is reasonable and fair, taking into account the Company's obligations at law and labour market conditions, and is relative to the scale of the Company's business. It reflects core performance requirements and expectations.

#### 4.3.2 PERFORMANCE-BASED BONUS

Performance-Based remuneration should be linked to clearly specified performance targets. These targets should be aligned to the Company's short and long-term performance objectives and should be appropriate to its circumstances, goals and risk appetite.

### 4.3.3 EQUITY BASED BONUS

The Company strives to have a well-designed equity-based remuneration, including options or performance rights, which can be an effective form of remuneration, especially when linked to hurdles that are aligned to the Company's longer-term performance objectives. The Company takes care in the design of equity-based remuneration schemes to ensure that they do not lead to "short-termism" on the part of senior executives or the taking of undue risks.

### 4.3.4 TERMINATION AND OTHER BENEFITS

Termination payments, if any, for senior executives are agreed in advance and the agreement clearly addresses what will happen in the case of early termination. There is no payment for removal for misconduct.

## 4.4 NON-EXECUTIVE DIRECTOR REMUNERATION

### 4.4.1 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 sum each non-executive Director is paid is determined by the Board from time to time. Additional fees are paid for participation on Board Committees; 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.

### 4.4.2 PERFORMANCE-BASED BONUS

Non-executive Directors do not receive performance-based bonus as it may lead to bias in their decision-making and compromise their objectivity.

### 4.4.3 EQUITY-BASED BONUS

It is generally acceptable for Non-executive Directors to receive securities as part of their remuneration to align their interests with the interests of other shareholders. However, Non-executive Directors generally should not receive options with performance hurdles attached or performance rights as part of their bonus as it may lead to bias in their decision-making and compromise their objectivity.

## 4.5 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;
- 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;
- a copy of the Constitution of the Company; and
- Directors Deed of Indemnity and Right of Access to Documents, if applicable.

## 2 PUBLICATION

A copy of the Board Charter will be provided to all Hannans Directors and Key Executive and will be published on Hannans website.

## 3 REVIEW

This Board Charter will be reviewed annually to ensure it continues to comply with all applicable laws and good corporate governance practices.