



# Board Charter

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Johns Lyng Group Limited ACN 620 466 248 (**Company**)

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# Board Charter

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## 1. Introduction

- 1.1 Johns Lyng Group Limited ACN 620 466 248 (**Company**) is a listed public company.
- 1.2 The Board is responsible for the corporate governance of the Company and its related bodies corporate (**Group**).
- 1.3 The purpose of this charter is to:
  - (a) promote high standards of corporate governance;
  - (b) clarify the role and responsibilities of the Board; and
  - (c) enable the Board to provide strategic guidance for the Group and effective management oversight.
- 1.4 This charter is supported by the code of conduct for directors, senior executives and all other employees, the charters for the Nomination and Remuneration Committee, Audit and Risk Committee and Compliance Committee, Securities Trading Policy and the Market Disclosure Policy.
- 1.5 For the purpose of this charter, senior executives include all officers and employees who have the opportunity to materially influence the integrity, strategy and operation of the company and its financial performance.
- 1.6 To the extent that there is any inconsistency between this charter and the Company's constitution, the constitution will prevail to the extent of that inconsistency.

## 2. Board size, composition and independence

- 2.1 There must be a minimum of three directors and may only be a maximum of nine directors.
- 2.2 The board of the Company (**Board**) should ideally comprise:
  - (a) a majority of independent non-executive directors;
  - (b) directors with an appropriate range of skills, experience and expertise;
  - (c) directors who can understand and competently deal with current and emerging business issues; and
  - (d) directors who can effectively review and challenge the performance of management and exercise independent judgment.
- 2.3 An independent non-executive director is one who:
  - (a) is independent of management;
  - (b) free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their unfettered and independent judgment; and
  - (c) otherwise meets the criteria for independence set out in the *Principles of Good Corporate Governance and Best Practice Recommendations* published by the ASX Corporate Governance Council.

- 2.4 The Board has formulated various criteria to determine the independence of directors.
- 2.5 The Board should regularly assess whether each non-executive director is independent and each non-executive director should provide to the Board all information relevant to his or her assessment.
- 2.6 If a director's independent status changes, this should be immediately disclosed and explained to the market.
- 2.7 The directors have absolute discretion to determine the appropriate composition of the Board from time to time. While the Company will aim to have a majority of independent non-executive directors, this is currently not practicable given the size of the Board and the circumstances of the Group, including the nature of the Group's business. It is the Company's intent to have a majority of independent non-executive directors appointed to the Board as soon as practicable after listing on the ASX.
- 2.8 The Nomination and Remuneration Committee is responsible for recommending candidates for appointment to the Board.
- 2.9 Each director is appointed by a formal letter of appointment setting out the key terms and conditions of their appointment to ensure that each director clearly understands the Company's expectations of him or her.

### 3. The Board's role and responsibilities

- 3.1 The Board acts in the best interests of the Company as a whole and is accountable to shareholders for the overall direction, management and corporate governance of the Company and the Group.
- 3.2 The Board is responsible for:
  - (a) overseeing the Group, including providing leadership and setting its strategic objectives, control and accountability systems;
  - (b) appointing the Chairperson of the Board (**Chairperson**);
  - (c) appointing and removing the chief executive officer;
  - (d) monitoring the performance of the chief executive officer;
  - (e) where appropriate, ratifying the appointment and removal of senior executives;
  - (f) ratifying other senior executive appointments, organisational changes and senior management remuneration policies and practices;
  - (g) approving succession plans for management;
  - (h) monitoring senior executives' performance and implementation of strategy, and ensuring appropriate resources are available;
  - (i) reporting to shareholders;
  - (j) providing strategic advice to management;
  - (k) approving management's corporate strategy and performance objectives;
  - (l) determining and financing of dividend payments;
  - (m) approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;

- (n) approving and monitoring corporate, financial and other reporting systems, including external audit, and overseeing their integrity;
  - (o) reviewing and ratifying systems of risk management, accountability, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place;
  - (p) reviewing and overseeing the implementation of the code of conduct for directors, senior executives and all other employees;
  - (q) approving the charters of the various Board committees;
  - (r) monitoring and ensuring compliance with all legal and regulatory requirements and ethical standards and policies; and
  - (s) monitoring and ensuring compliance with best practice corporate governance requirements.
- 3.3 In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director or other person, subject to ultimate responsibility residing with the directors.
- 3.4 The matters specifically reserved for the Board or its committees (as relevant) include:
- (a) appointment of a Chairperson;
  - (b) appointment and removal of the chief executive officer;
  - (c) appointment of a director to fill a casual vacancy or as an additional director;
  - (d) establishment of Board committees, their membership and delegated authorities;
  - (e) approval of dividends;
  - (f) review of corporate codes of conduct;
  - (g) approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
  - (h) calling of meetings of directors or shareholders; and
  - (i) any other specific matters nominated by the Board from time to time.

## 4. Performance of senior executives

- 4.1 The Board is responsible for:
- (a) regularly reviewing the performance of senior executives against measurable and qualitative indicators as decided by the Board; and
  - (b) ensuring that induction procedures are in place to allow new senior executives to participate fully and actively in management decision-making at the earliest opportunity.
- 4.2 New senior executives must have knowledge about the Company and the industry within which it operates. An induction program is available to enable senior executives to gain an understanding of:
- (a) the Company's financial, strategic, operational and risk management position;
  - (b) the rights, duties and responsibilities of senior executives; and

- (c) the respective rights, duties, responsibilities and roles of the Board and senior executives.

## 5. Board Committees

5.1 The Board has established the following committees to assist it in carrying out its responsibilities, to share detailed work and to consider certain issues and functions in detail:

- (a) Audit and Risk Committee;
- (b) Nomination and Remuneration Committee; and
- (c) Compliance Committee.

5.2 The charter or terms of reference of each Board committee setting out matters relevant to the composition, responsibilities and administration of the committee must be approved by the Board. Each committee will review its charter from time to time as appropriate.

## 6. Audit and Risk Committee

6.1 The objective of the Audit and Risk Committee is to:

- (a) help the Board fulfil its responsibilities in relation to:
  - (i) financial reporting;
  - (ii) the application of accounting policies;
  - (iii) business policies and practices;
  - (iv) legal and regulatory compliance; and
  - (v) internal risk control and management systems;
- (b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- (c) promote a culture of compliance;
- (d) encourage and promote communications between the Board and the senior compliance manager;
- (e) provide a forum for communication between the Board and senior financial and compliance management;
- (f) maintain and improve the effectiveness of the internal and external group audit functions and communication between the Board and the external and internal auditors; and
- (g) maintain and improve the effectiveness of compliance strategies and compliance function.

6.2 The Audit and Risk Committee should comprise:

- (a) at least three directors;
- (b) all non-executive directors who are financially literate (and at least one of whom is a financial expert); and
- (c) a majority of independent directors.

6.3 While the Company will aim to have an Audit and Risk Committee of at least the size and composition outlined in paragraph 6.2 above, this may not always be practicable given the size of the Board and the circumstances of the Group, including the nature of the Group's business.

Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Audit and Risk Committee from time to time.

- 6.4 The Audit and Risk Committee will appoint its chairperson. The chairperson must be an independent chairperson and may not be the chairperson of the Board.

## 7. Nomination and Remuneration Committee

- 7.1 The objective of the Nomination and Remuneration Committee is to help the Board achieve its objective to ensure the Company:
- (a) has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
  - (b) has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
  - (c) observes those remuneration policies and practices; and
  - (d) fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general pay environment.
- 7.2 The Nomination and Remuneration Committee should comprise:
- (a) at least three members;
  - (b) all non-executive directors; and
  - (c) a majority of independent directors.
- 7.3 While the Company aims to have a Nomination and Remuneration Committee of at least the size and composition outlined in paragraph 7.2 above, this may not always be practicable given the current size of the Board and circumstances of the Group, including the nature of the Group's business. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Nomination and Remuneration Committee from time to time.
- 7.4 The Nomination and Remuneration Committee will appoint its chairperson. The chairperson of the Nomination and Remuneration Committee must be an independent director.

## 8. Compliance Committee

- 8.1 The objectives and purposes of the Compliance Committee are:
- (a) to monitor the Company's adherence to the Code of Conduct (**Code**) adopted by the Board as amended from time to time; and
  - (b) to assist the Company in fulfilling its responsibilities relating to compliance.

Compliance means adhering to the spirit and letter of the Code as applicable to the Group's business activities.

- 8.2 The Compliance Committee should comprise;
- (a) at least two members;
  - (b) all non-executive directors; and
  - (c) a majority of independent directors,

- 8.3 The chief executive officer and chief financial officer of the Company will be standing invitees of each meeting of the Compliance Committee.
- 8.4 While the Company aims to have a Compliance Committee of at least the size and composition outlined in paragraph 8.2 above, this may not always be practicable given the current size of the Board and circumstances of the Group, including the nature of the Group's business. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Compliance Committee from time to time.
- 8.5 The Compliance Committee will appoint its chairperson. The chairperson of the Compliance Committee must be an independent director.

## 9. Chairperson of the Board

- 9.1 The chairperson of the Board:
- (a) is appointed by the directors;
  - (b) must be an independent non-executive director; and
  - (c) may not be the same person as the chief executive officer.
- 9.2 The division of the responsibilities of the chairperson of the Board and the chief executive officer have been agreed by the Board and are set out in this charter.
- 9.3 The responsibilities of the chairperson of the Board include:
- (a) providing leadership to the Board and the Group;
  - (b) promoting the efficient organisation and conduct of the Board's functions;
  - (c) ensuring the Board considers and adopts strategies designed to meet present and future needs of the Group;
  - (d) ensuring the Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties;
  - (e) monitoring the performance of the Board;
  - (f) facilitating Board discussions to ensure core issues facing the Group are addressed;
  - (g) briefing all directors in relation to issues arising at Board meetings;
  - (h) facilitating the effective contribution and ongoing development of all directors;
  - (i) promoting constructive and respectful relations between Board members and between the Board and management;
  - (j) ensuring the Board regularly meets to consider the Group's performance and key issues facing it;
  - (k) setting the agenda for the Board meetings after consulting with the chief executive officer; and
  - (l) chairing general meetings.

## 10. Chief executive officer and executive team

- 10.1 Responsibility for day to day management and administration of the Group is delegated by the Board to the chief executive officer and the executive team (if appointed).

- 10.2 The chief executive officer (if appointed) manages the Group in accordance with the strategy, plans and policies approved by the Board.
- 10.3 The chief executive officer is appointed by the Board.
- 10.4 The chief executive officer may not be the same person as the chairperson.
- 10.5 The responsibilities of the chief executive officer (if appointed) include:
- (a) developing and recommending to the Board strategies, business plans and annual budgets for the Group;
  - (b) implementing the strategies, business plans and budgets adopted by the Board;
  - (c) providing effective leadership, direction and supervision of the executive team to achieve the strategies, business plans and budgets adopted by the Board;
  - (d) developing and managing resources, policies and systems to ensure the effective operation of the Group (including developing and implementing policies on risk management, internal controls and human resources);
  - (e) managing resources within budgets approved by the Board;
  - (f) ensuring compliance with applicable laws and regulations;
  - (g) ensuring the Board is given sufficient information to enable it to perform its functions, set strategies and monitor performance; and
  - (h) acting within authority delegated by the Board.
- 10.6 The Board has in place procedures to assess the performance of the chief executive officer and executive team (if appointed).

## 11. Directors

- 11.1 Directors are expected to attend and participate in Board meetings and meetings of committees on which they serve.
- 11.2 Directors are expected to spend the time needed, and meet as often as necessary, to properly discharge their responsibilities.
- 11.3 Directors are expected to review meeting materials before Board meetings and committee meetings.
- 11.4 Directors are encouraged to ask questions of, request information from, and raise any issue of concern with, management. Directors are encouraged, where possible, to ask any questions and raise issues of concern before a meeting so that management is prepared to address them.
- 11.5 Directors must exercise independent judgment when making decisions.
- 11.6 Publicly, directors are expected to support the letter and spirit of Board decisions.
- 11.7 Directors must keep Board information, discussions, deliberations, and decisions that are not publicly known, confidential.
- 11.8 Directors must comply with their legal duties when discharging their responsibilities as directors. Broadly, these duties are:
- (a) to act in good faith and in the best interests of the Company; and
  - (b) to act with care and diligence;



- (c) to act for proper purposes;
- (d) to avoid a conflict of interest or duty; and
- (e) to refrain from making improper use of information gained through the position of director or taking improper advantage of the position of director.

## 12. Non-executive directors

- 12.1 Non-executive directors should consider the benefits of conferring regularly without management present, including at scheduled sessions or as otherwise required by the circumstances.
- 12.2 These discussions of non-executive directors can be facilitated by the chair or lead independent director (if any).
- 12.3 A non-executive director should inform the Chairperson before accepting any new appointment as a director of another listed entity, another material directorship or other position with a significant time commitment attached.

## 13. Conflicts

- 13.1 Directors are expected to be sensitive to conflicts of interest or duty that may arise and mindful of their fiduciary obligations.
- 13.2 Directors must:
  - (a) disclose to the Board any actual or potential conflict of interest or duty that might reasonably be thought to exist as soon as the situation arises;
  - (b) take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty; and
  - (c) comply with the *Corporations Act 2001* (Cth) and the Company's constitution in relation to disclosing material personal interests and restrictions on voting.
- 13.3 If a conflict exists, it is expected that any director to whom the conflict relates will leave the room when the Board is discussing any matter to which the conflict relates.
- 13.4 Directors are expected to inform the chairperson of the Board of any proposed appointment to the Board or executive of another company as soon as practicable.

## 14. Access to information and independent advice by directors

- 14.1 Directors have access to any information they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions.
- 14.2 Directors have access to:
  - (a) management to seek explanations and information from management; and
  - (b) auditors, both internal and external, to seek explanations and information from them without management being present.
- 14.3 Directors may seek any independent professional advice they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions in accordance with the procedure agreed by the directors.

- 14.4 If the chairperson of the Board consents, the Company will pay a director's costs of seeking independent professional advice. That consent may not be unreasonably withheld or delayed.

## 15. Retirement of directors

- 15.1 At the end of every annual general meeting, at least one of the directors must retire.
- 15.2 A director must retire at the end of the third annual general meeting after the director's appointment even if it means that more than one-third of directors retire at an annual general meeting.
- 15.3 Those directors who have been longest in office since their last appointment must retire by rotation. Directors appointed on the same day may agree among themselves or determine by lot who must retire.
- 15.4 The chief executive officer or a director appointed to fill a casual vacancy or as an addition to the Board is not subject to retirement by rotation and is not taken into account when determining how many directors must retire by rotation. A director appointed to fill a casual vacancy or as an addition to the Board must retire at the next annual general meeting after their appointment, but is eligible for election.

## 16. Codes of conduct

- 16.1 The Group has adopted a corporate code of conduct setting out its legal and other obligations to all legitimate stakeholders including employees, customers and the community.
- 16.2 The Group has adopted a code of conduct for directors, senior executives and all other employees setting out required standards of behaviour, for the benefit of all shareholders.
- 16.3 Each director, officer and employee will be given a copy of the code of conduct applicable to their position when joining the Group.

## 17. Communication of information

- 17.1 The Board will:
- (a) communicate effectively with shareholders;
  - (b) give shareholders ready access to balanced and understandable information about the Group and its corporate goals; and
  - (c) make it easy for shareholders to participate in general meetings.
- 17.2 The Board has adopted a communications strategy to facilitate and promote effective communication with shareholders and encourage participation at general meetings.

## 18. Review of Board performance

The Nomination Committee will annually review:

- (a) the Board's role;
- (b) the processes of the Board and Board committees;
- (c) the Board's performance; and
- (d) each director's performance before the director stands for re-election.

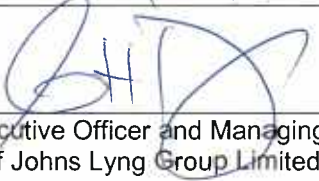
## 19. Approved and adopted

This charter was approved and adopted by the Board on 28 September 2017.

Date

28/09/2017

Signed

  
Chief Executive Officer and Managing  
Director of Johns Lyng Group Limited