

Board Charter

Kalina Power Limited ACN 000 090 997

Document version control:

Custodian	Company Secretary
Date approved by the Board	30 September 2021
Legislative framework and regulatory compliance	ASX Corporate Governance Principles and Recommendations (4th edition)
Regulators	ASX

1. Introduction

- (a) The board of directors (**Board**) of Kalina Power Limited (**Company**) has adopted this Board Charter (**Charter**) to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance and applicable laws.
- (b) This Charter includes an overview of:
 - (i) the composition of the Board;
 - (ii) the roles and responsibilities of the Board;
 - (iii) the relationship and interaction between the Board and management and the Board's ability to delegate its authority to management; and
 - (iv) the Board process.
- (c) This Charter and the charters adopted by the Board for its standing committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment market.
- (d) This Charter is to be reviewed by the Board as required and at least **annually**.

2. Board composition

2.1 Board composition and size

- (a) Directors of the Company (**Directors**) are appointed by the Board and elected or re-elected by the shareholders. Non-executive Directors are engaged through a letter of appointment.
- (b) The Board, together with the Nomination and Remuneration Committee, determines the size and composition of the Board, subject to the terms of the Company's Constitution.
- (c) It is intended that the Board should comprise a minimum of **5** Directors of which a majority are independent, non-executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds.
- (d) The Board, together with the Nomination and Remuneration Committee, will review the skills, experience, expertise and diversity represented by the Directors on the Board and determine whether the composition and mix remain appropriate, having regard to the Company's strategy and subject to the limitations imposed by the Constitution.

2.2 Director independence and tenure

- (a) The Board only considers a Director to be independent where he or she is free of any interest, position, association or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgment to bear on issues before the Board and to act in the best interests of the Company and its shareholders as a whole. The Board has adopted a definition of independence based on that set out in Box 2.3 of the ASX

Corporate Governance Council's Principles and Recommendations (4th edition)
(Refer to Annexure 1).

- (b) The Board does not believe that it should establish an arbitrary limit on tenure. While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations. Accordingly, tenure is just one of the many factors that the Board takes into account when assessing the independence and ongoing contribution of a Director in the context of the overall Board process.
- (c) The Board regularly reviews the independence of each Non-executive Director in light of information relevant to this assessment as disclosed by each Non-executive Director to the Board.
- (d) The Board discloses the names of the directors it considers to be independent Directors.

3. Board role and responsibilities

3.1 Board role

The Board's role is to:

- (a) represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- (b) protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- (c) set, review and monitor compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- (d) ensure shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

3.2 Board responsibilities

The responsibilities of the Board include:

- (a) selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of the CEO and his or her direct reports;
- (b) contributing to and approving management development of corporate strategy, including setting performance objectives and approving operating budgets;
- (c) reviewing, ratifying and monitoring systems of risk management, internal control and legal compliance. This includes reviewing procedures to identify the main risks associated with the Company's business and the implementation of appropriate systems to manage these risks;
- (d) monitoring corporate performance and implementation of strategy and policy;

- (e) approving major capital expenditure, acquisitions and divestitures and monitoring capital management;
- (f) monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting systems, including the external audit;
- (g) ensuring that appropriate frameworks exist for relevant information to be reported by management to the Board, and whenever required, challenge management and hold it accountable;
- (h) approving financial reports, profit forecasts and other reports required at law or under the ASX Listing Rules to be adopted by the Board;
- (i) overseeing the Company's process for making timely and balanced disclosures of all material information concerning the Company;
- (j) ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs;
- (k) evaluating, at least annually, the performance of the Board, its Committees and individual Directors in accordance with the process set out in Annexure 2;
- (l) developing and reviewing corporate governance policies, including the Company's Statement of Values and Code of Conduct to underpin the desired culture of the Company;
- (m) ensuring the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite;
- (n) ensuring the Company has in place an appropriate risk management framework (for both financial and non-financial risks) and setting the risk appetite that the Board expects management to operate within; and
- (o) performing such other functions as are prescribed by law or are assigned to the Board.

3.3 Director responsibilities

- (a) Directors will at all times act with honesty and integrity and will observe the highest standards of ethical behaviour.
- (b) Directors will ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests.
- (c) Directors will be expected to participate in all induction and orientation programs and any continuing education or training arranged for them. The need for such continuing education and professional development for existing directors will be reviewed every year to ensure all Directors maintain the skills and knowledge required to perform their role effectively.
- (d) The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair, or the Board as a whole.

4. Delegation of duties and powers

4.1 Delegation to Committees

- (a) The Board may, from time to time, establish Committees to streamline the discharge of its responsibilities.
- (b) The Board will adopt a formal charter for each standing Committee setting out the matters relevant to the composition, responsibilities and administration of the Committee.
- (c) The permanent Committees of the Board are:
 - (i) the Audit Committee;
 - (ii) the Nomination Committee;
 - (iii) the Remuneration Committee; and
 - (iv) Environmental, Social and Governance Committee.
- (d) The Board may also delegate specification functions to ad hoc Committees on an "as needs" basis.
- (e) Where the Board does not consider that the Company will benefit from a particular separate Committee:
 - (i) the Board must:
 - (A) carry out the duties and discharge the responsibilities that would ordinarily be assigned to that committee as set out in the Charter for that committee; and
 - (B) ensure that it has the appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively; and
 - (ii) the Company must disclose in, or in conjunction with, its annual report the following, as applicable:
 - (A) the fact a Committee has not been established; or
 - (B) if an Audit Committee has not been established, the processes the Board employs to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner, and the process it employs for overseeing the Company's risk management framework; and
 - (C) if a Remuneration Committee has not been established, the processes the Board employs to address Board succession issues and for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

4.2 Delegation to management

- (a) Although the Board retains ultimate responsibility for the strategy and performance of the Company, the day-to-day operation of the Company is conducted by, or under the supervision of, CEO as directed by the Board.
- (b) The Board approves corporate objectives for the CEO to work towards and, jointly with the CEO, develops the duties and responsibilities of the CEO.
- (c) The management team, being the CEO and other officers to whom the management function is properly delegated by the CEO:
 - (i) is responsible for implementing the strategic objectives, plans and budgets approved by the Board; and
 - (ii) is accountable to the Board for matters within its delegated authority.
- (d) Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.
- (e) Directors are entitled to request additional information at any time when they consider it appropriate.

4.3 Matters reserved for the Board

Notwithstanding sections 4.1 to 4.2, the following matters are specifically reserved for the Board (or the Board acting upon a recommendation from a Committee):

- (a) approving the Company's Statement of Values and defining the Company's purpose;
- (b) appointment of a Chair;
- (c) appointment of the deputy Chair and/or the 'senior independent director' (if applicable);
- (d) appointment and removal of the CEO;
- (e) appointment of other senior executives of the Company;
- (f) appointment of Directors to fill a casual vacancy or as an additional Director;
- (g) establishment of Board Committees, their membership and delegated authorities;
- (h) approval of interim dividends;
- (i) recommendations of dividends to shareholders and approval of final dividends;
- (j) approval of major capital expenditure, acquisition and divestitures in excess of authority levels delegated to management;
- (k) calling of meetings of shareholders;
- (l) approval of formal delegations of authority and amendments to existing delegations of authority; and
- (m) any other specific matters nominated by the Board from time to time.

5. Board process

5.1 Meetings

- (a) The Board will meet regularly and Directors will use all reasonable endeavours to attend Board meetings in person.
- (b) Periodically, Non-executive Directors may meet without the CEO or management present.
- (c) The Company's Constitution governs the regulation of Board meetings and proceedings.

5.2 The Chair

- (a) The Board will appoint one of its members to be Chair.
- (b) It is intended that the Chair should be an independent, non-executive Director.
- (c) The Chair represents the Board to the shareholders and communicates the Board's position.

5.3 The Company Secretary

- (a) The Board will appoint at least one Company Secretary who is accountable to the Board on all matters to do with the proper functioning of the Board.
- (b) The Company Secretary is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings.
- (c) All Directors will have direct access to the Company Secretary.

6. Review and amendments to this Charter

- (a) The Board will review this Charter **annually** or as often as it considers necessary to assess it is operating effectively and consider whether changes are required.
- (b) The Board may amend this Charter from time to time by resolution.
- (c) Updates and amendments to this Charter¹ will be the responsibility of the Company Secretary.
- (d) All new Directors will be provided with a copy of this Charter as part of their induction into the Company.
- (e) Any updates or amendments as approved by the Board will be notified to appropriate officers and staff by the Company Secretary and corresponding updates and amendments will be made to this Charter and be disclosed on the Company's website.

- (f) The Company Secretary is authorised to make administrative and non-material amendments to this Charter provided that any such amendments are notified to the Board or its delegated committee at or before its next meeting.

Annexure 1 – Independence of Directors

1. Independence guidelines

Without limiting the Board's discretion, the Board has adopted the following guidelines to assist in considering the independence of Directors. In general, Directors will be considered to be "independent" if they:

- (a) are not employed in an executive capacity by the Company or its related bodies corporate (as that term is defined in the *Corporations Act 2001 (Cth)*), or, if they have been previously employed in an executive capacity by the Company or its related bodies corporate, there has been a period of at least 3 years between ceasing such employment and serving on the Board;
- (b) do not receive performance-based remuneration from the Company or participate in an employee incentive scheme of the Company;
- (c) have not within the last 3 years been a partner, director or senior employee of a provider of material professional services to the Company or its related bodies corporate;
- (d) have not within the last 3 years been in a material business relationship (eg as a professional advisor, consultant, supplier or customer) with the Company, its related bodies corporate or their officers, or otherwise associated directly or indirectly with someone with such relationship;
- (e) are not a substantial shareholder of the Company, a representative or officer of, or otherwise associated directly or indirectly with, a substantial shareholder of the Company;
- (f) have no material contractual relationship with the Company or its related bodies corporate, other than as a Director of the Company;
- (g) do not have close family ties with any person who falls within any of the categories described above;
- (h) have not been a Director of the Company for such a period that his or her independence may have been compromised; and
- (i) are free from any other interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders as a whole.

2. Materiality thresholds

The Board will consider the materiality of the Directors' interests, position, association or relationship for the purposes of determining "independence" on a case-by-case basis, having regard to both quantitative and qualitative principles. Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- (a) the Board will determine the appropriate base to apply (eg revenue, equity or expenses) in the context of each situation;
- (b) in general, the Board will consider a holding of 5% or more of the Company's shares to be material;

- (c) in general, the Board will consider an affiliation with a business which accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular Director should be reviewed by the Board; and
- (d) overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Annexure 2 – Performance evaluation process

1. Board of Directors

- (a) This performance evaluation process (**Process**) is designed to ensure individual Directors and the Board as a whole work efficiently and effectively in achieving their functions.
- (b) Each year the Board will undertake the following activities:
 - (i) the Chair will meet with each non-executive Director separately to discuss individual performance and ideas for improvement;
 - (ii) each individual Director's performance is appraised in a meeting that is led by the Chair that is held with another Director, and in the case of the Chair, a meeting led by a Committee chair and held with another Director;
 - (iii) the Board as a whole will discuss and analyse its own performance during the year including suggestions for change or improvement; and
 - (iv) the Board will disclose whether the above process has been undertaken during or in respect of that year.

2. Executive Directors and Key Executives

Each year the Nomination and Remuneration Committee will oversee the performance evaluation of the executive team and disclose whether the performance evaluation of the executive team has been undertaken for that year. 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.

3. Board Committees

A similar review will be conducted for each Committee by the Board with the aim of assessing the performance of each Committee and identifying areas where improvements can be made.

4. Review of Performance Evaluation Process

This Process will be reviewed annually.