



# Corporate governance policy register

Fertoz Limited (Company)

ACN 145 951 622

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# Adoption of corporate governance policies

In accordance with the requirements of the Australian Securities Exchange (**ASX**) and its listing rules (**ASX Listing Rules**), the Company has considered the ASX's Corporate Governance Council's Corporate Governance Principles and Recommendations (**Principles and Recommendations**) to determine an appropriate system of control and accountability to best fit its business and operations, and intends to follow these recommendations in a manner appropriate for its size and operations.

The policies and charters contained within this Corporate Governance Policy Register record how the Principles and Recommendations are and will be applied to the operations of the Company and its subsidiaries (**Group**).

In cases where the Company determines it would be inappropriate to follow the Principles and Recommendations because of its circumstances, the Company will provide reasons for not doing so in its Annual Report and any Prospectus.

The board of directors of the Company (**Board**) has adopted these policies and charters acknowledging and agreeing the following matters:

- (a) The chairperson is not an independent director. However, the Board considers that the current chairperson should remain in the role because of their substantial history and investment in the Company. No "lead independent director" will be appointed at this stage.
- (b) As contemplated by clause 4(a) of the Board Charter, the Board does not consider its current size and structure, or the operations of the Company of a sufficient magnitude, to establish a separate Audit and Risk Committee, Remuneration Committee or Nomination Committee. In accordance with clause 4(f) of the Board Charter, the Board will carry out the duties of those committees and comply with the terms of the charters contained in this Corporate Governance Policy Register that relate to those committees (as if the Board constituted the relevant committee contemplated by those charters and the chairperson of the Board were the chairperson of each of the relevant committees).

**Signed with the authority of the Board**



**James Chisholm, Chairperson**

**Date: 28 / 09 / 2015**

# Board Charter

The Board is responsible to the shareholders of the Company for the welfare and management of the Group's resources and business affairs.

Where the Company has a senior management team, the Board's role is to govern the Company rather than to manage it.

## 1. Responsibilities of the Board

- (a) The Board's responsibilities include:
- (i) the appointment of the chairperson, company secretary and the composition of the Board;
  - (ii) the appointment of the chief executive officer/managing director, senior management team and key staff (if any), the determination of the terms of such appointment (including remuneration and termination) and the review of their performance;
  - (iii) input into, review and final approval of the Group's direction, strategies, business objectives and targets;
  - (iv) reviewing, approving and monitoring significant business transactions, including capital expenditure, acquisitions, divestments and organisational restructures;
  - (v) monitoring the Group's financial performance by reviewing and approving budgets, assessing the Group's performance against budgets and monitoring the adequacy and integrity of financial and other reporting procedures;
  - (vi) approving annual, half yearly and quarterly accounts;
  - (vii) recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them;
  - (viii) approving the issue of any shares, options or other securities in the Company (subject to compliance with any applicable ASX Listing Rules);
  - (ix) ensuring that adequate internal control systems, procedures and standards, including risk management systems, codes of conduct and legal compliance and ethical standards, are in place and complied with; and
  - (x) ensuring corporate accountability to shareholders primarily through adopting an effective shareholder communications strategy.
- (b) The Board is otherwise required to comply with its duties and approve other matters as required by law and to comply with the provisions of the Company's constitution.
- (c) In addition to formal reporting requirements, Board members are encouraged to have direct and regular communications with the senior management team and other employees of the Group to facilitate the discharge of their director's duties.

## 2. Composition of the Board

- (a) The Board members should comprise individuals with an appropriate mix of expertise, skills and experience relevant to the Group's business objectives. The composition of the Board is to be reviewed regularly.
- (b) In determining a suitable candidate for the Board, regard is to be given to the following qualities of the candidate:
  - (i) the ability to exercise sound business judgement to contribute to the ongoing effectiveness of the Board and the development of the strategic direction of the Group;
  - (ii) the ability to commit the necessary time to fulfil the requirements of the role effectively; and
  - (iii) the physical ability to undertake the duties and responsibilities of the Board.
- (c) Where practicable, at least 50% of the Board will be comprised of non-executive directors.
- (d) Where practicable, at least 50% of the Board will be independent. An independent director is a non-executive director who is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the exercise of independent judgement. However, it is acknowledged that the size of the Group and the industry in which it operates may mean that it is impracticable for the majority of the Board to be independent.
- (e) When determining the independent status of a director, the Board should consider the following:
  - (i) whether the director is a substantial shareholder of the Company (or otherwise directly associated with a substantial shareholder of the Company);
  - (ii) whether the director is currently employed, or previously employed in the last 3 years, in an executive capacity by the Group;
  - (iii) whether the director has in the last 3 years been a principal of a material professional adviser or consultant to the Group (or an employee who is materially associated with the advisory or consultancy services provided);
  - (iv) whether the director is a material supplier or customer of the Group (or otherwise directly associated with such a supplier or customer); and
  - (v) whether the director has a material contractual or other relationship with the Group which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.
- (f) Directors must continually disclose their interests and must declare any actual or potential conflict of interest. The Board must regularly assess the directors' independence in light of the disclosed interests and conflicts.
- (g) Directors must declare immediately to the Board, and the Board must determine whether to declare to the market, any loss of independence.

- (h) Unless otherwise permitted by the Company's Constitution, no member of the Board may serve for more than 3 years or past the third annual general meeting following their appointment (whichever is longer), without being subject to re-election by the shareholders. Prior to being nominated for re-election, the director should be assessed by the Company's Nomination Committee (or by the other directors if there is no such committee) to determine whether that director continues to be an appropriate candidate for the Board.

### 3. Role of the chairperson

- (a) Where practicable, the chairperson should be an independent director. If a Chairperson ceases to be an independent director, then the Board will consider appointing a lead independent director.
- (b) Where practicable, the Company's chief executive officer or managing director should not be the chairperson. A chief executive officer or managing director should also not be considered independent and a candidate for the role of chairperson until at least 3 years after he or she has ceased to occupy that position.
- (c) The chairperson must be able to commit the time to effectively discharge the role.
- (d) The responsibilities of the chairperson "inside the boardroom" include:
- (i) setting the agenda of the Board;
  - (ii) chairing and conducting meetings of the Board and meetings of shareholders;
  - (iii) ensuring meetings are conducted effectively – the appropriate issues are considered during the meeting, matters are considered thoroughly, all directors are given the opportunity to contribute, the Board comes to a clear decision and the resolutions are noted;
  - (iv) ensuring Board decisions are implemented properly; and
  - (v) ensuring the Board behaves in accordance with the Corporate Code of Conduct.
- (e) The responsibilities of the chairperson "outside the boardroom" include:
- (i) being the main contact and facilitating the effective communication between Board members and senior management;
  - (ii) regularly reviewing the Group's important initiatives and significant issues with senior management;
  - (iii) in conjunction with senior management, undertaking public relations activities; and
  - (iv) being the spokesperson at meetings of shareholders and reporting on the Group's performance.
- (f) If the chairperson is absent from a Board meeting, the Board is to appoint a temporary chairperson for that meeting.

## 4. Board committees

- (a) Once the Board is of a sufficient size and structure, and the Group's operations are of a sufficient magnitude, the Board will establish the following committees to assist in fulfilling its duties:
  - (i) Audit and Risk Committee;
  - (ii) Remuneration Committee; and
  - (iii) Nomination Committee,(each a **Committee**).
- (b) The charter of each Committee is to be approved and regularly reviewed by the Board.
- (c) The Board is to ensure that each Committee is sufficiently funded to carry out its duties.
- (d) The Board is responsible for appointing the members of each Committee. The Board may appoint additional members and remove or replace members of a Committee by resolution.
- (e) The minutes of each Committee meeting are to be provided to the Board at the next Boarding meeting after the minutes have been approved by the Committee.
- (f) Where the Board does not consider it appropriate to establish a Committee, the Board will carry out the duties of that Committee and comply with the relevant charter.
- (g) The Board must undertake performance reviews of each Committee in accordance with the Company's Performance Evaluation Policy.

## 5. Board meetings

- (a) At a meeting of directors, the number of directors whose presence is necessary to constitute a quorum is 2 directors entitled to vote.
- (b) The Board must schedule for Board meetings to be held at least quarterly and hold any additional meetings as required.
- (c) The Board may hold a valid meeting using any medium by which each of the participating directors can simultaneously hear all the other participants (including telephone and video conferencing).
- (d) Non-executive directors may confer at scheduled times without management being present.
- (e) The minutes of each Board meeting will be prepared by the company secretary, approved by the Chairperson and circulated to directors after each meeting. They must then be approved by the Board at the next Board meeting
- (f) Where practicable, the company secretary will distribute any relevant supporting papers for each Board meeting in advance.

## 6. Role of the managing director

- (a) The managing director is responsible for running the affairs of the Group under delegated authority from the Board and for implementing policies and strategies set by the Board.
- (b) The managing director is also responsible for the development and management of the financial strategy and reporting of the Group under delegated authority from the Board and for implementing the financial policies and strategy set by the Board.
- (c) In carrying out his or her responsibilities, the managing director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Group's financial condition and operational results.

## 7. Role of company secretary

- (a) The responsibilities of the company secretary include:
  - (i) facilitating the Group's corporate governance processes, and ensuring that the Board processes and procedures run efficiently and effectively;
  - (ii) preparing for and attending at meetings of the Board and Committees, and recording, maintaining and distributing the notice, agenda and minutes of such meetings;
  - (iii) facilitating the flow of information between individual directors and between the Board and the Committees;
  - (iv) recording, maintaining and distributing minutes of Board and Committee meetings;
  - (v) preparing for and attending annual and extraordinary general meetings of the Company, and recording, maintaining and distributing the notice, agenda and minutes of such meetings;
  - (vi) maintaining the Company's corporate register; and
  - (vii) induction of new directors to enable new directors to gain an understanding of the Group's financial, strategic, operational and risk management position, the Group's culture and values, the rights and duties of directors, the roles of the Board, the Committees and senior management and the running of the Board. As part of the induction, the company secretary will provide new directors with a copy of the Company's constitution and the Corporate Governance Policy Register.
- (b) All directors have access to the advice and services of the company secretary.
- (c) The Board is responsible for the appointment and removal of the company secretary.

## 8. Role of management

- (a) The role of management is to support the managing director and to implement the running of the general operations and financial business of the Group, in accordance with the delegated authority of the Board.
- (b) Management, including the executive directors, are responsible for reporting all matters which trigger a Materiality Threshold (defined below) to the chairperson.

## 9. Access to information and advice

- (a) All directors have unrestricted access to Group company records and information, management and employees for the purpose of discharging their director's duties.
- (b) The Board, Committees or individual directors may (at the Company's expense) seek independent external professional advice as considered reasonably necessary, subject to prior approval of the chairperson (which cannot be unreasonably withheld or delayed). A copy of any such advice is to be made available to all members of the Board.

## 10. Disclosure policy

For so long as the Company is listed on the ASX, the Board must ensure that the Company has in place effective disclosure policies and procedures so that shareholders and the relevant financial market are fully informed (to the extent required by applicable disclosure rules and legislation) on matters that may influence the share price of the Company.

## 11. Materiality Thresholds

The Board has agreed on the following guidelines for assessing materiality of matters that need to be brought to the attention of the chairperson. Any matter which falls within the following guidelines is a matter which triggers the **Materiality Threshold**:

- (a) **(Materiality – Quantitative):**
  - (i) **(Balance sheet items)** Balance sheet items are material if they have or are likely to have a value of 5% or more of the then current net assets of the Group.
  - (ii) **(Profit and loss items)** Profit and loss items are material if they have or are likely to have an impact on the current year net profit after tax of the Group of 5% or more.
- (b) **(Materiality – Qualitative)** Items are material from a qualitative perspective if:
  - (i) they are likely to impact on the reputation of the Group;
  - (ii) they involve a breach of legislation;
  - (iii) they are outside the ordinary course of the Group's business;
  - (iv) they could affect the Group's rights to its assets;
  - (v) accumulated they would trigger the quantitative materiality thresholds;
  - (vi) they involve a contingent liability that would have or would be likely to have an effect of 5% or more on any balance sheet or profit and loss item for the Group; or
  - (vii) they would have or would be likely to have an effect on operations which is likely to result in an increase or decrease in net profit after tax of the Group of 5% or more.
- (c) **(Material Contracts)** Contracts will be considered material if:
  - (i) they are outside the Group's ordinary course of business;
  - (ii) they contain unusually onerous provisions;

- (iii) they have an impact on income that is in excess of the quantitative materiality tests;
- (iv) there is a likelihood that either party to the contract will default and the default may trigger any of the quantitative materiality tests;
- (v) they are essential to the activities of the Group and cannot be replaced (or cannot be replaced without an increase in costs for the Group of such a quantity that would trigger any of the quantitative materiality tests);
- (vi) they contain or trigger change of control provisions;
- (vii) they are between, or are for the benefit of, related parties; or
- (viii) they otherwise trigger the quantitative materiality tests.

# Corporate Code of Conduct

## 1. Purpose

The Company is committed to operating with integrity and a duty of care to its stakeholders (shareholders, employees, customers, suppliers etc) and the broader community in which it operates. This corporate code of conduct (**Code**) outlines the framework for ensuring that the Company's decision making and actions are undertaken in an ethical and accountable manner. All Company directors and employees are required to comply with this Code.

## 2. Policy

- (a) It is the Company's policy that all directors and employees of the Group must carry out their duties and behave in a manner consistent with this Code. A breach of this Code may result in:
  - (i) a breach of law; and
  - (ii) disciplinary action, including dismissal.
- (b) The process for any disciplinary action is contained in the Company's policies and guidelines, relevant legislation and industrial awards and individual agreements.
- (c) All employees of the Group must report any concerns or departure from the Code by themselves or others and any suspected corrupt conduct.

## 3. Personal and professional behaviour

- (a) When carrying out their duties, all directors and employees must:
  - (i) behave honestly, fairly and with integrity;
  - (ii) perform work with a high standard of quality;
  - (iii) comply with all applicable laws, all applicable industrial awards, the individual's contract with the Company (or any other member of the Group) and this Code; and
  - (iii) act in a professional and business-like manner, whether dealing with fellow directors/employees or external parties.
- (b) Without limiting the above, it is essential that all directors and employees comply with the relevant laws and regulations of the countries in which the Group operates. Non-compliance with such laws can have grave consequences on the individual and the Group.

## 4. Conflict of interest

- (a) All employees must report any actual or potential conflict of interest to the relevant manager/supervisor. All directors must report any actual or potential conflict of interest to the chairperson. If in doubt, the director or employee should report the matter nonetheless.

- (b) Potential for conflict of interest arises when it is likely that a person could be influenced, or be perceived to be influenced, by a personal interest when carrying out one's duties. Such conflict could lead to biased decision making and may constitute corrupt conduct.
- (c) Examples of situations which may give rise to a conflict of interest include the following:
  - (i) the director/employee having financial or commercial interests (directly or indirectly through associated parties) in a matter with which the Group is dealing;
  - (ii) the director/employee being involved in the management of another organisation whose interests do not align with the Group's interests;
  - (iii) the director/employee having personal relationships that go beyond the professional working relationship with people with which the Group is dealing;
  - (iv) the director/employee having access to information that can be used for personal gain; or
  - (v) the director/employee receiving an offer of inducement (financial or otherwise).

## 5. Corrupt conduct

- (a) Corrupt conduct involves the dishonest or impartial use of power or position which results in one person or group being advantaged over another.
- (b) Corrupt conduct can take many forms, including:
  - (i) misconduct by officials;
  - (ii) bribery, offer of inducements (gifts or other benefits) or blackmail;
  - (iii) unauthorised use of information or position;
  - (iv) fraud; and
  - (v) theft.
- (c) The Group aims to succeed through fair and honest competition and will not be involved in any unethical or illegal business practice. All directors and employees must deal fairly with suppliers, customers, government officials and any other relevant party.
- (d) The Group will not pay any bribes or corrupt payments, or offer any gifts or other benefits, to obtain any improper or illegitimate benefit or advantage. All directors and employees are strictly prohibited from offering or making such payments or offers.
- (e) Similarly, all directors and employees are strictly prohibited from receiving any such payments or offers.
- (f) Care must be taken prior to offering or accepting any gifts, benefits or offers of entertainment to or from stakeholders. Any gifts, benefits or offers which are disproportionate or inappropriate must be declined and must not be offered. In particular, the offer or acceptance of gifts or benefits must be strictly avoided during tender processes.
- (g) If in doubt, the matter should be reported to the relevant manager/supervisor or the chairperson.

- (h) Participation in corrupt conduct will not be tolerated and will lead to disciplinary action (including dismissal).

## 6. Intellectual property

- (a) The Group's intellectual property is valuable and must not be used by any director or employee except in the course of performing their duties for the Group.
- (b) All intellectual property created by a director or employee during the course of his or her employment is transferred to and owned by the relevant Group company unless a specific prior written agreement has been entered into which provides for the contrary.
- (c) Intellectual property includes patents, designs, copyrights, trade marks, know how, inventions, trade secrets and any other rights subsisting in the results of any intellectual effort in any field, whether or not registered or capable of registration.

## 7. Security of information

- (a) All directors and employees must not disclose any confidential, commercially sensitive or privileged information relating to the Group except:
  - (i) on a "need to know" basis (e.g. to the Group's professional advisers) and only after the recipient has agreed in writing to keep the information confidential or is otherwise bound by rules of professional conduct to keep the information confidential; or
  - (ii) as required by law.
- (b) Such materials should be stored securely at all times.

## 8. Use of Group resources

- (a) Use of the Group's resources (including office, plant and equipment) by directors or employees for personal use is not permitted unless consent from senior management or the chairperson has been previously obtained.
- (b) If consent is given to use the Group's resources, the relevant director or employee must only use the relevant items as permitted and must take responsibility for safeguarding, maintaining and replacing the property.

## 9. Public and media communication

- (a) The chairperson, managing director and the company secretary are the only people authorised to make official statements in relation to the Group and its affairs. All other directors and employees must not make official statements on matters relating to the Group unless they are:
  - (i) authorised to do so by the chairperson, the managing director or the Board;
  - (ii) giving evidence in court; or
  - (iii) otherwise required by law.

- (b) Employees must not disclose or release unpublished, confidential, commercially sensitive or privileged information relating to the Group unless authorised by the chairperson, the managing director or the Board.

## 10. Discrimination and harassment

- (a) All directors and employees of the Group are to be treated fairly and consistently (including in respect of hiring, training and performance assessment) and all are strictly prohibited from engaging in any form of discrimination, harassment, bullying or intimidation. In particular:
  - (i) no one can be harassed or discriminated against on any grounds, including sex, pregnancy, marital status, age, nationality, ethnicity, religious background, or physical or intellectual impairment; and
  - (ii) performance and merit will form the basis for decisions relating to promotion and pay.
- (b) Any such inappropriate conduct may constitute an offence under applicable law. It must be reported immediately to senior management or the chairperson and will result in disciplinary action (including dismissal).

## 11. Occupational health and safety

- (a) The Group strives to ensure that its workplaces are constructed, operated and maintained in accordance with prevailing leading practice.
- (b) Directors and employees must:
  - (i) take personal responsibility for their own health and safety and that of other persons within their work environment;
  - (ii) comply with all applicable health and safety legislation, regulations, policies and procedures, including in relation to incident reporting and investigation;
  - (iii) follow the safety and security directives of their manager/supervisor;
  - (iv) use, operate and maintain all equipment in accordance with their instruction manuals; and
  - (v) advise management of areas where there is actual or potential health and safety risks and otherwise assist in minimising risks in the workplace.

## 12. Responsibilities to investors

- (a) The Company strives for full, fair and accurate disclosure of financial and other information on a timely basis.
- (b) In addition to the prohibition on insider trading under the *Corporations Act 2001 (Cth)*, all directors and employees must observe and comply with the Company's Securities Trading Policy.

# Audit and Risk Committee Charter

## 1. Purpose

The purpose of the Audit and Risk Committee is to assist the Board in monitoring and reviewing the Group's financial reporting and overseeing the independence of external auditors.

## 2. Composition

- (a) The Audit and Risk Committee must comprise at least 3 members with the following criteria:
  - (i) where practicable, all of the members must be non-executive directors;
  - (ii) where practicable, at least 50% of the members must be independent directors (refer to paragraphs 2(d) and 2(e) of the Board Charter for guidelines on "independent directors");
  - (iii) all of the members must be able to read and understand financial statements and are otherwise financially literate;
  - (iv) at least 1 member must have financial expertise either as a qualified accountant or other financial professional with experience in financial and accounting matters; and
  - (v) at least 1 member must have an understanding of the industry in which the Group operates.
- (b) The members of this Committee will be appointed by, and may be removed or replaced by, the Board.
- (c) The chairperson of this Committee:
  - (i) must not be the chairperson of the Board;
  - (ii) must be independent;
  - (iii) must have a strong finance, accounting or business background; and
  - (iv) will be appointed by, and may be removed or replaced by, the Board.
- (d) The company secretary of the Company or his or her nominee will be the secretary of this Committee.

## 3. Meetings

- (a) At an Audit and Risk Committee meeting, the number of members whose presence is necessary to constitute a quorum is 2.
- (b) In the absence of the chairperson or his or her nominee, the members can elect one of their members as chairperson for that meeting.

- (c) The Committee must schedule for meetings to be held at least once every financial quarter and hold any additional meetings as required. Meetings are called by the Committee's secretary as directed by the Board or at the request of the Committee's chairperson.
- (d) The external auditors, managing director, members of the senior management and the other directors who are not members of this Committee may be invited to be present for all or part of the meetings of this Committee (but for the avoidance of doubt will not be members of the Committee).
- (e) Where practicable, the secretary will distribute any relevant supporting papers for each Committee meeting in advance.
- (f) The Committee may hold a valid meeting using any medium by which each of the participating members can simultaneously hear all the other participants (including telephone and video conferencing).
- (g) Decisions of the Committee will be decided by the simple majority of the Committee members present at the meeting. In the case of an equality of votes, the chairperson will have a second or casting vote in addition to the chairperson's deliberative vote.
- (h) If the Committee's chairperson deems appropriate, approvals and recommendations can be implemented by a circular written resolution signed by all members in lieu of holding a meeting.
- (i) The minutes of each Committee meeting will be prepared by the Committee's secretary for inclusion in the papers for the next Board meeting. The Committee's chairperson, with the secretary's assistance, will also prepare a report of the actions of the Committee for inclusion in the papers for the next Board meeting.
- (j) The Committee must brief the Board promptly on all urgent and significant matters.

## 4. Responsibilities of the Committee

The responsibilities of the Audit and Risk Committee include the following:

### Review of financial reports

- (a) review of the quarterly, half yearly and annual financial statements and any reports which accompany published financial statements before submission to the Board, recommending their approval, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments, accounting and financial reporting issues resulting from the internal and external audit;
  - (iv) compliance with accounting policies and standards; and
  - (v) compliance with legal requirements;
- (b) review of the appropriateness of the accounting principles adopted by management in the financial reports and the integrity of the Group's financial control and financial reporting;

- (c) assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- (d) assessment of the management processes supporting external reporting; and
- (e) establishing procedures for confidential and anonymous treatment of complaints regarding accounting, auditing matters and internal accounting controls.

#### Liaison with external auditors

- (a) recommendation to the Board of procedures for the selection and appointment of external auditors and for the rotation of the external auditor engagement partners;
- (b) recommendation to the Board for the appointment or, if necessary, the removal of the external auditors;
- (c) review and approval of the external audit scope and fees proposed for audit work to be performed;
- (d) assessment of the performance and independence of external auditors - where the external auditor provides non-audit services, the Committee should assess whether it is satisfied that the provision of those services has not compromised the auditor's independence;
- (e) review of any necessary recommendations to the Board for the approval or quarterly, half yearly and annual reports;
- (f) attending meetings and discussions with the external auditors (in the absence of management) on at least an annual basis and at such times as the Committee considers necessary or desirable;
- (g) determination of whether there are any management restrictions being placed upon the external auditor;
- (h) ensuring that the external auditor prepares and delivers an annual statement as to their independence which includes details of all relationships with the Group; and
- (i) ensuring that the external auditor prepares and delivers its report on critical accounting policies and alternative accounting treatment (among other things) prior to the filing of its audit report in compliance with the *Corporations Act 2001 (Cth)*.

#### Internal audit functions

- (a) monitoring the need for a formal internal audit function and its scope;
- (b) assessment of the performance and objectivity of any internal audit procedures that may be in place;
- (c) recommendation for the appointment, or if necessary, the dismissal of the head of the internal audit function;
- (d) monitoring the quality of the Group's accounting functions; and
- (e) review of internal control reports on a quarterly basis.

## Risk management

- (a) overseeing the establishment and implementation by senior management of a system for identifying, assessing, monitoring and managing material risks (financial or otherwise) facing the Group and its operations, including the Group's internal compliance and control systems (including in accordance with the Risk Management Policy);
- (b) annual review of the risk management systems, practices and procedures and the management reports produced as a result; and
- (c) identification and implementation of any special projects or investigations deemed necessary.

## Other

- (a) overseeing the Group's environmental risk management and occupational health and safety processes;
- (b) overseeing the procedures for whistleblower protection; and
- (c) monitoring and reviewing the propriety of any related party transactions.

## 5. Access to and reliance on information or professional or expert advice

- (a) For the purpose of carrying out their duties, members of the Committee have the right to access management and the Group's books and records, the right to seek explanations and additional information and the right to access internal and external auditors (without management present).
- (b) Subject to the prior consent of the Committee's chairperson, members of the Committee may consult (at the Company's cost) independent legal or other advisers as deemed necessary to assist them in carrying out their duties.
- (c) Each member of the Committee is entitled to rely on information, or professional or expert advice, to the extent permitted by law, given or prepared by:
  - (i) an employee of the Group whom the member reasonably believes to be reliable and competent in relation to the matters concerned;
  - (ii) a professional adviser or expert in relation to matters that the member reasonably believes to be within the person's professional expertise; or
  - (iii) another director of the Group in relation to matters within the director's authority.

## 6. Review of the charter

- (a) The Board will review the membership and the performance of the Committee annually to ensure that the functions of the Committee have been carried out effectively.
- (b) The Board will amend and update the charter as required or as a result of changes in laws or regulations.

- (c) The charter will be made available to Committee members, senior management and the external auditor, and will be generally available to the public (e.g. by being posted on the Company's website in its entirety or in summary).

# Remuneration Committee Charter

## 1. Purpose

The purpose of the Remuneration Committee is to assist the Board in monitoring and reviewing the Company's remuneration policy.

## 2. Composition

- (a) The Remuneration Committee must comprise at least 3 members.
- (b) Where practicable, at least 50% of the members must be independent directors (refer to paragraphs 2(d) and 2(e) of the Board Charter for guidelines on "independent directors").
- (c) The members of this Committee will be appointed by, and may be removed or replaced by, the Board.
- (d) The chairperson of this Committee must not be the chairperson of the Board, must be independent and will be appointed by, and may be removed or replaced by, the Board.
- (e) The company secretary of the Company or his or her nominee will be the secretary of this Committee.

## 3. Meetings

- (a) At a Remuneration Risk Committee meeting, the number of members whose presence is necessary to constitute a quorum is 2.
- (b) In the absence of the chairperson or his or her nominee, the members can elect one of their members as chairperson for that meeting.
- (c) The Committee must schedule for meetings to be held at least once every year and hold any additional meetings as required. Meetings are called by the Committee's secretary as directed by the Board or at the request of the Committee's chairperson.
- (d) The managing director, members of the senior management and the other directors who are not members of this Committee may be invited to be present for all or part of the meetings of this Committee (but for the avoidance of doubt will not be members of the Committee).
- (e) Where practicable, the secretary will distribute any relevant supporting papers for each Committee meeting in advance.
- (f) The Committee may hold a valid meeting using any medium by which each of the participating members can simultaneously hear all the other participants (including telephone and video conferencing).
- (g) Decisions of the Committee will be decided by the simple majority of the Committee members present at the meeting. In the case of an equality of votes, the chairperson will have a second or casting vote in addition to the chairperson's deliberative vote.

- (h) If the Committee's chairperson deems appropriate, approvals and recommendations can be implemented by a circular written resolution signed by all members in lieu of holding a meeting.
- (i) The minutes of each Committee meeting will be prepared by the Committee's secretary for inclusion in the papers for the next Board meeting.

## 4. Responsibilities of the Committee

The responsibilities of the Remuneration Committee include the following:

- (a) review and approval of the Company's remuneration policies for senior executives, such that senior executives are motivated to pursue the long-term growth and success of the Group and there is a clear relationship between senior executives' performance and remuneration;
- (b) review of the Group's senior executives' remuneration, contract terms and incentive schemes, which may include cash based plans, equity based plans and/or long/short term employee incentive schemes;
- (c) review and approval of the Group's recruitment, retention and termination policies and procedures for senior executives;
- (d) review of the Group's remuneration framework for directors (if there is no Nomination Committee or the Nomination Committee is not undertaking this role);
- (e) review of the Group's superannuation arrangements;
- (f) review of the remunerations paid by the Group by gender;
- (g) reviewing and making recommendations to the Board in relation to the remuneration report for inclusion in the Company's annual report; and
- (h) undertaking performance reviews of the managing director and each member of the senior management in accordance with the Company's Performance Evaluation Policy.

## 5. Access to information or professional or expert advice

- (a) For the purpose of carrying out their duties, members of the Committee have the right to access management and Group's books and records.
- (b) Subject to the prior consent of the Committee's chairperson, members of the Committee may consult (at the Company's cost) independent legal or other advisers as deemed necessary to assist them in carrying out their duties.

## 6. Approval

The following must be approved by the Remuneration Committee prior to implementation:

- (a) changes to the remuneration or contract terms of executive directors or senior executives (the Committee should also report directly to the managing director on this);
- (b) senior executive incentive plans and changes to such plans;

- (c) total level of awards proposed from cash or equity based incentive plans; and
- (d) termination payments to executive directors (the Committee should also report directly to the managing director on this). Termination payments to other departing executives should be reported to the Committee at its next meeting.

# Nomination Committee Charter

## 1. Purpose

The purpose of the Nomination Committee is to examine the Company's Board selection and appointment practices.

## 2. Composition

- (a) The Nomination Committee must comprise at least 3 members.
- (b) Where practicable, at least 50% of the members must be independent directors (refer to paragraphs 2(d) and 2(e) of the Board Charter for guidelines on "independent directors")
- (c) The members of this Committee will be appointed by, and may be removed or replaced by, the Board.
- (d) The chairperson of this Committee must not be the chairperson of the Board, must be independent and will be appointed by, and may be removed or replaced by, the Board.
- (e) The company secretary of the Company or his or her nominee will be the secretary of this Committee.

## 3. Meetings

- (a) At a Nomination Committee meeting, the number of members whose presence is necessary to constitute a quorum is 2.
- (b) In the absence of the chairperson or his or her nominee, the members can elect one of their members as chairperson for that meeting.
- (c) The Committee must schedule for meetings to be held at least once every year and hold any additional meetings as required. Meetings are called by the Committee's secretary as directed by the Board or at the request of the Committee's chairperson.
- (d) The managing director, members of the senior management and the other directors who are not members of this Committee may be invited to be present for all or part of the meetings of this Committee (but for the avoidance of doubt will not be members of the Committee).
- (e) Where practicable, the secretary will distribute any relevant supporting papers for each Committee meeting in advance.
- (f) The Committee may hold a valid meeting using any medium by which each of the participating members can simultaneously hear all the other participants (including telephone and video conferencing).
- (g) Decisions of the Committee will be decided by the simple majority of the Committee members present at the meeting. In the case of an equality of votes, the chairperson will have a second or casting vote in addition to the chairperson's deliberative vote.

- (h) If the Committee's chairperson deems appropriate, approvals and recommendations can be implemented by a circular written resolution signed by all members in lieu of holding a meeting.
- (i) The minutes of each Committee meeting will be prepared by the Committee's secretary for inclusion in the papers for the next Board meeting.

## 4. Responsibilities of the Committee

The responsibilities of the Nomination Committee include the following:

- (a) considering and making recommendations to the Board in relation to the size and composition of the Board, the mix of executive and non-executive directors and the time commitment required of directors (including consideration of the appropriate number of other positions held by non-executive directors);
- (b) reviewing and making recommendations to the Board in relation to the necessary and desirable skills, experience and diversity of non-executive directors and identifying any gaps in the skills and experience of the Board;
- (c) considering and making recommendations to the Board in relation to Board succession planning;
- (d) establishing processes to evaluate the Board, its committees and individual director performance;
- (e) undertake performance reviews of the Board and individual directors in accordance with the Company's Performance Evaluation Policy;
- (f) making recommendations to the Board on candidates for election or re-election to the Board at each annual general meeting;
- (g) developing plans for the induction and training of new directors; and
- (h) assisting the Board in establishing and implementing the Company's Diversity Policy.

## 5. Access to information or professional or expert advice

- (a) For the purpose of carrying out their duties, members of the Committee have the right to access management and the Group's books and records.
- (b) Subject to the prior consent of the Committee's chairperson, members of the Committee may consult (at the Company's cost) independent legal or other advisers as deemed necessary to assist them in carrying out their duties.

# Performance Evaluation Policy

The Nomination Committee must ensure that a performance evaluation of the Board, its Committees and individual directors is undertaken at least once a year. To assist in this process, an independent adviser may be used at the Company's expense.

## 1. Review of the Board

- (a) At least once a year, the Board's performance will be reviewed by the Nomination Committee (or if there is none, the Board):
  - (i) assessing the Board's performance against the requirements of the Board Charter;
  - (ii) assessing the Board's performance against the Group's business strategies and objectives;
  - (iii) examining the Board's interaction and communication with senior management;
  - (iv) reviewing the mix of the Board; and
  - (v) making any recommendations to amend the Board Charter as necessary or appropriate.
- (b) At least once a year each director's performance will also be reviewed by the Nomination Committee (or if there is none, the other members of the Board) by assessing the director's performance against his or her duties under the Board Charter.

## 2. Review of Committees

At least once a year, the Board will undertake the following reviews:

- (a) review of the necessity of establishing any new committee and delegating certain of its responsibilities to such committees;
- (b) review of each Committee's performance against its charter; and
- (c) review of each Committee's charters to ensure that they are appropriate and up to date.

## 3. Review of senior management

- (a) In order to ensure that the managing director and the senior management are effectively implementing the Group's strategies and business objectives, the Board will at least once a year:
  - (i) review the Group's direction and strategies;
  - (ii) review the Group's business objectives to ensure that they remain consistent with the Group's direction and strategies and the changing nature of the Group's business;
  - (iii) set quantitative and qualitative targets for the business objectives, which are to be used as part of the key performance indicators of the managing director and the senior management team; and

- (iv) communicate to the managing director and the senior management team the Group's strategies, business objectives and the relevant targets used as part of their respective key performance indicators.
- (b) At least once a year, the performance of the managing director and each member of the senior management will be reviewed by the Remuneration Committee (or if there is none, the Board) by reviewing the Group's performance against the business targets and their respective key performance indicators, with the results of such review to be reflected in the remuneration review.

# Continuous Disclosure Policy

## 1. Introduction

- (a) For so long as the Company is listed on the ASX, the Company must comply with the continuous disclosure requirements of the ASX Listing Rules, the Corporations Act and any other applicable legislation.
- (b) As a general rule, the Company must disclose to the ASX any information relating to the Group which a reasonable person would expect to have a material effect on the Company's share price as soon as the Company becomes aware of that information.
- (c) A failure by the Company to comply with its continuous disclosure obligations may constitute a criminal offence or result in civil penalties under the Corporations Act. In addition, the Company may be exposed to legal action or compensation claims. There is also the potential impact on the Company's reputation in the marketplace.

## 2. Application

All directors, employees and consultants of the Group must comply with this policy for so long as the Company is listed on the ASX.

## 3. Objectives

The objectives of this policy are to:

- (a) ensure that the Company is able to meet its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act; and
- (b) establish internal procedures so that all directors, employees and consultants of the Group understand their obligations to disclose material information to ensure:
  - (i) all investors and participants in the market have equal and timely access to material information concerning the Group;
  - (ii) Company announcements are factual and presented in a clear and balanced way; and
  - (iii) all material information is disclosed to the market.

## 4. Legal requirements

- (a) Chapter 3 of the ASX Listing Rules deals with the continuous disclosure requirements that a listed company must satisfy. In particular, Listing Rule 3.1 states that once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell the ASX that information.
- (b) The exception to this requirement is where **all** of the following apply:
  - (i) a reasonable person would not expect the information to be disclosed;

- (ii) the information is confidential and the ASX has not formed a view that the information has ceased to be confidential; and
- (iii) one or more of the following applies:
  - (A) it would be a breach of law to disclose the information;
  - (B) the information concerns an incomplete proposal or negotiations;
  - (C) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - (D) the information is generated for the internal management purposes of the Company; or
  - (E) the information is a trade secret.
- (c) If the exception ceases to apply, the Company must disclose the information to the ASX immediately.
- (d) The ASX Listing Rules also provide that if the ASX considers that there is or is likely to be a false market in an entity's securities, and asks the entity to give information to correct or prevent a false market, the entity must give the ASX the information needed to correct or prevent the false market.

## 5. Disclosure examples

The ASX Listing Rules set out the following examples of information that would, if material, need to be disclosed to the ASX (which is not an exhaustive list):

- (a) a change in the Company's financial forecasts or expectations;
- (b) the appointment of a receiver, manager, liquidator or administrator in respect of any loan, trade credit, trade debt, borrowing or securities held by the Company or any of its subsidiaries;
- (c) a transaction for which the consideration payable or receivable is a significant proportion of the written down value of the Company's consolidated assets (ASX's view is that normally, an amount of 5% or more would be significant, but a smaller amount may be significant in a particular case);
- (d) a recommendation or declaration of a dividend or distribution;
- (e) a recommendation or decision that a dividend or distribution will not be declared;
- (f) under subscriptions or over subscriptions to an issue of securities;
- (g) a copy of a document containing market sensitive information that the Company lodges with an overseas securities exchange or other regulator which is available to the public;
- (h) an agreement or option to acquire an interest in a mining tenement, including the number of tenements, a summary of previous exploration activity and expenditure, where the tenements are situated, the identity of the vendor and the consideration for the tenements;
- (i) information about the beneficial ownership of securities obtained under Part 6C.2 of the Corporations Act;

- (j) giving or receiving a notice of intention to make a takeover;
- (k) an agreement between the Company (or a related party or subsidiary) and a director of the Company (or a related party of the director);
- (l) a copy of any financial documents that the Company lodges with an overseas stock exchange or other regulator which is available to the public;
- (m) a change in accounting policy adopted by the Company;
- (n) any rating applied by a rating agency to the Company, or securities of the Company, and any change to such a rating; or
- (o) a proposal to change the Company's auditor.

## 6. Reporting process

- (a) All members of the senior management team must immediately report any potentially "price sensitive" or "material" information to the company secretary. Senior management must have open lines of communication with their subordinates to ensure that any such information is communicated without delay.
- (b) Where there is any doubt as to whether the information is "price sensitive" or "material", the information should nevertheless be communicated to the company secretary so that an assessment can be made.
- (c) If the company secretary is unavailable, then the information should be communicated to the chairperson.
- (d) The company secretary will report any potentially "price sensitive" or "material" information to the managing director and the chairperson, who will consider the materiality of the information and determine what disclosure is required.
- (e) The company secretary will then make the necessary disclosures to the ASX after the proposed announcement has been reviewed by 2 members of the Board to ensure the announcement is factually accurate and does not omit any material information.
- (f) The company secretary must maintain a disclosure file which contains a record of:
  - (i) material that has been disclosed to the ASX (with a copy of each announcement to the ASX); and
  - (ii) all potentially material and price sensitive information that has come to the attention of the company secretary and has not been disclosed to the ASX, together with the reasons for that non-disclosure (including any applicable exemption that is being relied on).

## 7. Avoiding a false market

- (a) While the Company will not, in general, respond to market speculation or rumours unless required to do so by law or the ASX, to reduce the risk of the emergence of a false market in the Company's shares, the Company will seek to make regular announcements regarding projects and important milestones (even when that information may not strictly be required under the Company's continuous disclosure obligations).
- (b) If it appears that a false market in the Company's shares has emerged or confidential information has inadvertently been made public, in addition to responding to any queries made by the ASX, the Company may request a trading halt from the ASX to prevent trading in the Company's shares by an inefficient and uninformed market until the Company can make the necessary announcement to the market via the ASX.

## 8. Analyst and media briefings and responding to queries

- (a) The chairperson, managing director and the company secretary are the only people authorised to make statements to (or respond to questions from) the press, analysts and shareholders (**Interested Parties**) in relation to the Group and its affairs. All other directors, employees and consultants must not make official statements to, or respond to questions from, Interested Parties on matters relating to the Group unless they are authorised to do so by the chairperson, the managing director or the Board.
- (b) When making any statements to or responding to questions from Interested Parties, there must be no disclosure of price sensitive information that has not already been disclosed to the ASX.
- (c) Any material that is to be provided to Interested Parties (e.g. presentation slides and proposed transcripts for analyst briefings) should be provided to the company secretary beforehand to determine whether any disclosure to the ASX is required before the information is provided to the Interested Party.
- (d) If a director (other than the chairperson or managing director) or employee of the Group is approached by any Interested Party, that individual should refer all queries to the chairperson, managing director or company secretary and refrain from disclosing any information, documents and other forms of data.

## 9. Safeguarding confidential information

- (a) Directors, senior managers, employees and consultants of the Group must recognise that information relating to the Group is potentially confidential, and a loss of that confidential status may inadvertently trigger an obligation to prematurely disclose information to the ASX.
- (b) To assist in safeguarding against inadvertent disclosure of confidential information, the company secretary will regularly update the chairperson and managing director of matters relying on the confidentiality disclosure exemption (referred to above in section 4(b)(ii)) and that would otherwise be required to be disclosed to the ASX, so that such information is not prematurely disclosed to Interested Parties under section 8.

## 10. Promoting and monitoring compliance

- (a) The Board has appointed the company secretary to monitor the Company's compliance with disclosure obligations and promoting an understanding of this policy within the Group.
- (b) To the extent considered appropriate by the Board, the company secretary must periodically:
  - (i) monitor disclosure processes and reporting;
  - (ii) review the effectiveness of disclosure and materiality guidelines; and
  - (iii) conduct compliance training sessions with directors, senior managers, employees and consultants of the Group to ensure awareness and understanding of the Company's continuous disclosure obligations and this policy, and the role that directors, senior managers, employees and consultants of the Group play in ensuring compliance with the Company's continuous disclosure obligations.

# Risk Management Policy

## 1 Identification and monitoring of risks

- (a) The Company's risk management system covers risks in the Group's operations, financial reporting and legal/regulatory compliance.
- (b) The primary goals of the risk management system are to ensure:
  - (i) all major sources of actual and potential opportunity for and harm to the Group are identified, monitored, analysed and treated appropriately;
  - (ii) business decisions of the Group appropriately balance benefits and risk tradeoffs;
  - (iii) regulatory compliance and integrity in financial and other reporting; and
  - (iv) senior management, the Board and investors understand the Group's risk profile.
- (c) Arrangements put in place by the Board to monitor risk management include:
  - (i) monthly reporting by senior management to the Board in respect of operations and the financial position and performance of the Group;
  - (ii) preparation of quarterly rolling forecasts by senior management for the Board;
  - (v) circulation to the Board of minutes of each Committee meeting and reports (at least once a year) of each Committee's chairperson; and
  - (vi) the development of a risk register which provides a framework for systematically understanding, identifying and analysing the types of business risks to the Group (as a whole or to specific business activities) and forming an action plan in respect of those risks.

## 2 Roles

- (a) **Board** – the Board is responsible for overseeing the Group's risk management and control framework. The Board has delegated to the Audit and Risk Committee the responsibility for monitoring the risk management system, conducting internal audits of risk management processes, submitting certain matters to the Board for its consideration or approval and reviewing this policy at least once every year.
- (b) **Managing director** – the managing director is delegated responsibility for designing and implementing the risk management system within the Group and has the ultimate responsibility and is accountable to the Board for ensuring that the risk management system is implemented and maintained in accordance with this policy.
- (c) **Senior management** – members of the senior management team are accountable for strategic risk management within areas under their control, including assigning risk management duties to operational managers. Collectively, the senior management team is responsible for:
  - (i) formal identification of strategic risks that impact the Group's business;

- (ii) development of strategic risk management plans;
- (iii) allocation of priorities of risk management tasks;
- (iv) review of risk management tasks against plans; and
- (v) reporting quarterly to the Board on the progress of risk management tasks.

# Diversity Policy

## 1 Purpose

- (a) The Company is committed to workplace diversity. It recognises the benefits of employee and board diversity, the importance of benefiting from all available talent and promoting an environment conducive to the appointment of well qualified employees, senior management and Board candidates so that there is appropriate diversity to maximise the achievement of corporate and business goals.
- (b) This policy aims to enable the Group to achieve diversity within the workplace so that it can benefit from all available talent. Diversity includes but is not limited to gender, age, ethnicity and cultural background.

## 2 Implementation

- (a) The Board is responsible for implementing this policy, setting measurable objectives and strategies to achieve the purpose of this policy and monitoring the Group's progress through the monitoring, evaluation and reporting mechanisms set out below.
- (b) In particular, the Board may set measurable objectives for achieving gender diversity and monitor their achievement.
- (c) For optimal implementation of this policy, the Company's strategies include the following:
  - (i) recruitment from a diverse pool of candidates for all positions, including senior management and the Board;
  - (ii) provision of equal employment opportunities based on relative ability and potential for the best business performance outcomes;
  - (iii) transparent selection processes and reviews;
  - (iv) engagement of employment consultants (if appropriate) to identify and assess the best candidates available for positions;
  - (v) provision of training opportunities and succession planning to retain a skilled and diverse workforce;
  - (vi) formal implementation and monitoring of diversity targets; and
  - (vii) including the measurable objectives for achieving diversity as key performance indicators for the managing director, the senior management team and the Board.
- (d) The Company recognises that the mining and exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills will be limited in some instances. Where possible, the Group will seek to identify suitable candidates for positions from a diverse pool.
- (e) The Board will review, monitor and report on the progress of the measurable objectives for achieving diversity at least annually.

- (f) The Company's annual report will include a summary of objectives, progress towards these objectives and the portion of women engaged in the Group at the Board and senior management level.
- (g) The objectives and effectiveness of this policy will be reviewed by the Board at least once a year.

# Shareholder Communications Policy

The Board is committed to ensuring that the Company's shareholders are able to participate in general meetings of the Company and are informed of all material developments and information affecting the Company's business and share price in a timely and clear manner.

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholder participation.

Information is communicated to shareholders through:

- (a) the Company's Annual Report, which will be mailed to each shareholder and posted on the Company's website;
- (b) the Company's half yearly report, which will be placed on the Company's website;
- (c) the quarterly reports, which will be placed on the Company's website;
- (d) disclosures and announcements made to the ASX, copies of which will be placed on the Company's website;
- (e) notices and explanatory memoranda of the Company's annual general meetings (**AGMs**) and extraordinary general meetings (**EGMs**), copies of which will be placed on the Company's website;
- (f) the address from the Board's chairperson and the address from the Company's managing director delivered at the AGMs and EGMs, copies of which will be placed on the Company's website;
- (g) the Company's auditor's lead engagement partner being present at AGMs to answer any questions from the shareholders in respect of the auditor's report and the conduct of the audit of the Company's accounts;
- (h) where a shareholder has registered with the Company to receive electronic updates on the Company, such updates as and when they are available; and
- (i) where a shareholder has made an enquiry with the Company through the contact details set out on the Company's website, responses to such enquiries.

The Company intends to establish webcasting facilities to allow shareholders and the investment community to view live and/or recorded video of the Company's general meetings, key presentations and important announcements.

Where practicable, analysts and media briefings will be webcast and/or recorded, and links to those webcasts and recordings (together with any material distributed at such briefings) will be posted on the Company's website. At those meetings or briefings, the Company will not disclose any information that a reasonable person might regard as being price sensitive unless such information has previously been released to the market through the ASX or as otherwise already in the public domain.

# Auditor Selection and Rotation Policy

## 1 Purpose

The Company obtains external audit reports in relation to financial compliance, as required by law. This policy outlines procedures for the selection and appointment of external auditors and for the rotation of the external audit partners.

## 2 Selection of external auditors

- (a) If there is a vacancy for the position of external auditor, the Company, through the Audit Committee, will conduct a formal tendering process.
- (b) Tenders will be assessed on the basis of the number of factors, including:
  - (i) the skill and knowledge of the team proposing to do the work;
  - (ii) the independence of the audit firm from the Company;
  - (iii) the lead signing partner and independent review partner rotation and succession planning; and
  - (iv) value for money.

## 3 Appointment of external auditors

Following the tendering process, the Audit Committee will identify and recommend an appropriate external audit firm and partner for appointment by the Board and/or the Company in general meeting.

## 4 Rotation of external audit partners

- (a) Division 5 of Part 2M.4 of the *Corporations Act 2001* (Cth) (**Corporations Act**) requires that the lead auditor and review auditor responsible for the external audit, be rotated off the Company's audit every 5 financial years, and not to be involved again in the external audit for at least another 2 financial years.
- (b) The Audit Committee will ensure that the required rotation of audit partners occurs, and will oversee the appointment and independence of replacement partners, to ensure that the external auditors comply with the Corporations Act.

# Securities Trading Policy

## 1 Background

- (a) The Company Securities are listed on ASX.
- (b) This Policy outlines:
  - (i) when Staff may deal in Company Securities;
  - (ii) when Staff may deal in Listed Securities of another entity when they are in possession of Inside Information about that entity's Securities; and
  - (iii) the Company's procedures aimed at reducing the risk of Insider Trading taking place.
- (c) This Policy was approved and adopted by the Board on 12 July 2012.
- (d) Capitalised terms used in this Policy have the meaning given in the Schedule.

## 2 Insider Trading

- (a) If a person has information about Securities and the person knows, or ought reasonably know, that the information is Inside Information, it is likely to be illegal for the person to:
  - (i) Deal in those Securities;
  - (ii) procure another person to Deal in those Securities; or
  - (iii) give the information to another person who the person knows, or ought reasonably to know, is likely to:
    - (A) Deal in those Securities; or
    - (B) procure someone else to Deal in those Securities.
- (b) The prohibition against Insider Trading extends to Dealing in Securities of other companies about which a person has Inside Information.

## 3 Consequences of Insider Trading

- (a) Insider Trading is a criminal offence. Persons with Inside Information and Dealing in Securities risk prosecution, punishable by substantial fines or imprisonment (or both). A court may also impose substantial pecuniary penalties for Insider Trading and order payment of compensation to persons who suffer loss or damage because of Insider Trading.

- (b) The Company may also be liable if Staff engage in Insider Trading.
- (c) A breach of this Policy by Staff is serious and may lead to disciplinary action, including dismissal.

## 4 Inside Information

- (a) Inside Information is information that:
  - (i) is not generally available; or
  - (ii) if it were generally available:
    - (A) a reasonable person would expect to have a material effect on the price or value of the relevant Securities; and
    - (B) would, or would be likely to, influence persons who commonly invest in Securities in deciding whether to acquire or dispose of the relevant Securities.
- (b) Information is generally available if it:
  - (i) is readily observable;
  - (ii) has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in Securities of a type whose price might be affected by the information and a reasonable period for that information to be disseminated has elapsed since it was made known; or
  - (iii) consists of deductions, conclusions or inferences made or drawn from information falling under clause 4(b)(i) or 4(b)(ii).

## 5 Dealing by Staff

- (a) Subject to clause 10, a member of Staff (who is not also a Manager) must not Deal or procure another person to Deal in Company Securities or the Listed Securities of another entity if he or she has information that he or she knows, or ought reasonably know, is Inside Information in relation to Company Securities or the Securities of the other entity.
- (b) Subject to clauses 5(a), 8 and 9, this Policy does not restrict any Dealing in Company Securities or Listed Securities of another entity by members of Staff (who are not also Managers).

## 6 Dealing by Managers

- (a) Subject to clause 10, a Manager may not Deal or procure another person to Deal in Company Securities:
- (i) if he or she has information that he or she knows, or ought reasonably know, is Inside Information in relation to Company Securities;
  - (ii) during a Closed Period (unless exceptional circumstances have been determined to exist under clause 7(c));
  - (iii) outside the Management Trading Windows, unless they have complied with clause 7 before the Dealing; or
  - (iv) where that Dealing relates to a transaction (including, but not limited to, hedging arrangements, margin loans and/or share lending arrangements) relating to Company Securities which operate to limit the economic risk of holding any Company Securities or any vested or unvested entitlements to Company Securities under any equity based remuneration schemes offered by the Company (or any member of the Group), unless they have complied with clause 7 before the Dealing.
- (b) A Manager may not Deal or procure another person to Deal in the Listed Securities of another entity if he or she has information that he or she knows, or ought reasonably to know, is Inside Information in relation to those Securities.
- (c) Subject to clauses 6(a) and 6(b), a Manager may:
- (i) Deal in Company Securities:
    - (A) during the Management Trading Windows provided he or she immediately notifies the Approving Officer of the Dealing; or
    - (B) outside the Management Trading Windows (provided that they have complied with clause 7 before the Dealing and the Dealing will not otherwise occur during a Closed Period);
  - (ii) enter into a transaction referred to in clause 6(a)(iv) (provided that they have complied with clause 7 before entering into that transaction); or
  - (iii) Deal in the Listed Securities of another entity,
- if he or she does not have information that he or she knows, or ought reasonably know, is Inside Information in relation to those Securities.

## 7 Approval by Approving Officer

- (a) Before:
  - (i) Dealing in Company Securities under clause 6(a)(iii) or 6(c)(i)(B); or
  - (ii) entering into a transaction referred to in clause 6(a)(iv), a Manager must provide written notice of the proposed Dealing or transaction (as applicable) to the Approving Officer and obtain the Approving Officer's written approval of the proposed Dealing or transaction.
- (b) The Approving Officer must refuse to give approval to any proposed Dealing or transaction under clause 7(a) if the Dealing would be:
  - (i) contrary to law;
  - (ii) in breach of this Policy or other corporate governance standards of the Group;
  - (iii) for speculative gain;
  - (iv) to take advantage of Inside Information; or
  - (v) likely to be perceived by the public, media, other security holders of the Group or the ASX as being unfair.
- (c) The Approving Officer may also give approval for a Manager to sell (but not buy) Company Securities in exceptional circumstances (determined at the sole and absolute discretion of the Approving Officer) where the Manager would otherwise not be able to do so under this Policy. Exceptional circumstances include where the Dealing is necessary:
  - (i) for the Manager to realise cash in a time of exceptional financial hardship (excluding financial hardship relating to a tax liability) or to comply with the requirements of a court order or enforceable undertaking; and
  - (ii) because delaying the Dealing to the next Management Trading Window would cause greater exceptional financial hardship, be exceptionally detrimental to the Manager's personal affairs or be in breach of a court order or enforceable undertaking.
- (d) The Approving Officer must:
  - (i) keep a written record of:
    - (A) any information received from a Manager in connection with this Policy; and
    - (B) any approval granted by the Approving Officer under this Policy; and

- (ii) send a copy of the written record to the company secretary for safe keeping.
- (e) The company secretary must maintain a register of all information provided to him or her under clause 7(d)(ii).

## 8 Dealings by associated persons

Subject to clause 10, if any Staff member is prohibited by this Policy from Dealing in Company Securities or the Securities of any other entity, he or she must also prohibit any Dealing in those Securities by:

- (a) any associated person, including:
  - (i) family of that Staff member;
  - (ii) entities controlled by that Staff member or a member of their family; and
  - (iii) trusts under which the Staff member or a member of that Staff member's family is a beneficiary; or
- (b) any investment manager Dealing on behalf of any associated person described in clause 8(a).

## 9 Communicating Inside Information

If any Staff member has information that he or she knows, or ought reasonably know, is Inside Information in relation to Company Securities or the Listed Securities of another entity, that Staff member must not directly or indirectly communicate that information to another person if he or she knows, or ought reasonably know, that the other person would or would be likely to:

- (a) Deal in Company Securities or those Securities of the other entity; or
- (b) procure another person to Deal in Company Securities or the Securities of the other entity.

## 10 Exclusions to this Policy

This Policy does not apply to:

- (a) transfers of Company Securities already held by the Restricted Person into a superannuation fund or other savings scheme in which the Restricted Person is a beneficiary;
- (b) where a Restricted Person is a trustee, Dealing in Company Securities by the trust provided the Restricted Person is not a beneficiary of the trust and any decision to Deal is taken by the other trustees or by the investment managers independently of the Restricted Person;

- (c) undertakings to accept, or the acceptance of, a takeover offer made in accordance with the Corporations Act;
- (d) Dealing under an offer or invitation to all or the majority of the holders of Company Securities, such as, a rights issue, share purchase plan, dividend or distribution reinvestment plan or an equal access buy-back, whether the plan determining the timing and structure of the offer has been approved by the Board (including decisions relating to whether or not to take up entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue);
- (e) disposal by a secured lender exercising their rights, for example, under a margin lending arrangement approved under clause 7;
- (f) the exercise (but not the sale of Securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for exercise of the option or right, or the conversion of the convertible security, falls during a Prohibited Period; or
- (g) Dealing under a non-discretionary trading plan for which prior written approval has been provided in accordance with this Policy and where:
  - (i) the Restricted Person did not enter into that trading plan or amend that trading plan during a Prohibited Period; and
  - (ii) the trading plan does not permit the Restricted Person to exercise any influence or discretion over how, when or whether to Deal.

# Schedule: Dictionary

In this Policy, unless the context requires otherwise, the following terms have the following meanings:

- (a) **Approving Officer** means:
  - (i) for a Manager (except the chief executive officer or a director of the Company), the chief executive officer;
  - (ii) for the chief executive officer and the chairperson of the Board, any non-executive director of the Company nominated for this purpose by the Board; and
  - (iii) for a director (except the chairperson of the Board or, where the chief executive officer is a director, the chief executive officer), the chairperson of the board;
- (b) **ASX** means ASX Limited ACN 008 624 691 and the exchange operated by it;
- (c) **Board** means the board of directors of the Company;
- (d) **Closed Period** means each of the following periods:
  - (i) the period commencing on 1 January, 1 April, 1 July and 1 October each year and ending 24 hours after the next release of the Company's quarterly reports to the ASX;
  - (ii) the period commencing on 1 January each year and ending 24 hours after the next release by the Company of a half year financial report to the ASX; and
  - (iii) the period commencing on 1 July each year and ending 24 hours after the next release by the Company of a full year financial report to the ASX;
- (e) **Company** means Fertoz Limited ACN 145 951 622;
- (f) **Company Securities** includes:
  - (i) shares in the Company or a Group member;
  - (ii) options over the shares set out in paragraph (i);
  - (iii) any other financial products of the Group traded on ASX; and
  - (iv) any derivative or associated instruments the value of which is determined (in whole or in part) by any Security listed in paragraph (i), (ii) or (iii);
- (g) **Corporations Act** means the *Corporations Act 2001* (Cth);

- (h) **Deal or Dealing** means to directly or indirectly apply for, acquire or dispose of Securities or directly or indirectly enter into an agreement to apply for, acquire or dispose of Securities or to grant, accept, acquire, dispose, exercise or discharge an option or other right or obligation to acquire or dispose of Securities, but does not include a decision to join, or subscribe for Company Securities under, any dividend reinvestment plan or other corporate action open to all holders of Company Securities;
- (i) **Financial Market** has the meaning given to that term in the Corporations Act;
- (j) **Group** means the Company and each of its Subsidiaries;
- (k) **Inside Information** has the meaning given to that term in section 1042A of the Corporations Act (as summarised in clause 4);
- (l) **Insider Trading** means Dealing in a manner that is prohibited by Part 7.10, Division 3 of the Corporations Act;
- (m) **Key Management Personnel** has the meaning given to that term in the Listing Rules;
- (n) **Listed Securities** means Securities that are quoted on the ASX or any other Financial Market;
- (o) **Listing Rules** means the listing rules of ASX;
- (p) **Manager** mean members of the Key Management Personnel and any other person designated by the Board that is engaged in the management of the Group, whether as an employee or contractor;
- (q) **Management Trading Windows** means each six week period after the date of:
  - (i) the release to the ASX of the financial results referred in paragraph (i) of the definition of Closed Period;
  - (ii) the release to the ASX of the financial results referred in paragraph (ii) of the definition of Closed Period; and
  - (iii) the Company's annual general meeting;
- (r) **Prohibited Period** means any period under this Policy where Dealing in Company Securities is prohibited, or is prohibited without the written approval of the Approving Officer;
- (s) **Restricted Person** means a person to whom this Policy applies;
- (t) **Securities** means all securities of any kind, including ordinary shares, preference shares, debentures, convertible notes, options and hedging mechanisms or derivative instruments;

- (u) **Staff** means:
  - (i) the Key Management Personnel;
  - (ii) corporate and divisional accounting officers reporting directly to any members of the Board or Key Management Personnel;
  - (iii) employees and contractors who have access to the Group's financial results; and
  - (iv) any other employees and contractors of the Group nominated by the Board from time to time; and
- (v) **Subsidiary** has the meaning given to that term in the Corporations Act.