



Board charter

Ellerston Asian Investments Limited ACN 606 683 729
(Company)

1. Introduction

- 1.1 The Company is a listed public company.
- 1.2 The Board of directors of the Company (**Board**) is responsible for the corporate governance of the Company.
- 1.3 The purpose of this charter is to:
 - (a) promote high standards of corporate governance;
 - (b) clarify the role and responsibilities of the Board; and
 - (c) enable the Board to provide strategic guidance for the Company and effective management oversight.
- 1.4 This charter is supported by the code of conduct for directors, the charters for the Nomination and Remuneration Committee and Audit Committee, Securities Trading Policy, Securityholder Communication Policy, Diversity policy, and the Continuous Disclosure Policy. In addition, this charter is also supported by the Manager's corporate governance policies.

2. Board size, composition and independence

- 2.1 There must be a minimum of 3 directors and may only be a maximum of 7 directors.
- 2.2 The Board should ideally comprise:
 - (a) a majority of independent non-executive directors;
 - (b) directors with an appropriate range of skills, experience and expertise;
 - (c) directors who can understand and competently deal with current and emerging business issues; and
 - (d) directors who can effectively review and challenge the performance of management and exercise independent judgment.
- 2.3 An independent non-executive director is one who:
 - (a) is independent of the manager of all of the Company's assets, Ellerston Capital Limited ACN 110 397 674 (**Manager**);
 - (b) is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their unfettered and independent judgment; and
 - (c) otherwise meets the criteria for independence set out in the *Corporate Governance Principles and Recommendations (3rd Edition)* published by the ASX Corporate Governance Council.
- 2.4 The Board has formulated various criteria to determine the independence of directors.
- 2.5 The Board should regularly assess whether each non-executive director is independent and each non-executive director should provide to the Board all information relevant to his or her assessment.

- 2.6 If a director's independent status changes, this should be disclosed and explained to the market promptly and without delay.
- 2.7 While the Company will aim to have a majority of independent non-executive directors, this may not always be practicable given the size of the Board and the circumstances of the Company, including the nature of the Company's business. Accordingly, the directors have absolute discretion to determine the appropriate composition of the Board from time to time.
- 2.8 The Nomination and Remuneration Committee is responsible for recommending candidates for appointment to the Board.
- 2.9 Each director is appointed by a formal letter of appointment setting out the key terms and conditions of their appointment to ensure that each director clearly understands the Company's expectations of him or her.

3. The Board's role and responsibilities

- 3.1 The Board acts in the best interests of the Company as a whole and is accountable to shareholders for the overall direction, management and corporate governance of the Company.
- 3.2 The Board is responsible for:
 - (a) overseeing the Company, including its control and accountability systems;
 - (b) approving the Manager's investment strategy and delegating to the Manager the authorities provided in the management agreement executed between the Company and the Manager (**Management Agreement**);
 - (c) monitoring the performance of the Manager and its compliance with its obligation under the Management Agreement;
 - (d) reporting to shareholders;
 - (e) determining and financing any dividend payments based on the Manager's recommendations;
 - (f) approving and monitoring financial and other reporting;
 - (g) reviewing and ratifying systems of risk management, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place;
 - (h) reviewing and overseeing the implementation of the code of conduct for directors;
 - (i) approving charters of Board committees;
 - (j) monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies; and
 - (k) monitoring and ensuring compliance with best practice corporate governance requirements.

4. Performance of the Manager

- 4.1 The Board is responsible for regularly reviewing the performance of the Manager against measurable and qualitative indicators as reflected in the Management Agreement and the terms of the Manager's delegated authority.
- 4.2 The Board must monitor the compliance by the Manager with its obligations under the Management Agreement and take appropriate steps to enforce the performance of those obligations, if and when required.

5. Board Committees

- 5.1 The Board has established the following committees to assist it in carrying out its responsibilities, to share detailed work and to consider certain issues and functions in detail:
 - (a) Audit Committee; and
 - (b) Nomination and Remuneration Committee.
- 5.2 The charter or terms of reference of each Board committee setting out matters relevant to the composition, responsibilities and administration of the committee must be approved by the Board. Each committee will review its charter from time to time as appropriate.

6. Audit Committee

- 6.1 The objective of the Audit Committee is to:
 - (a) help the Board achieve its objective in relation to:
 - (i) financial reporting;
 - (ii) the application of accounting policies;
 - (iii) legal and regulatory compliance; and
 - (iv) internal risk control and management systems;
 - (b) maintain and improve the quality, credibility and objectivity of the financial accountability process;
 - (c) promote a culture of compliance;
 - (d) ensure effective communication between the Board and compliance representatives of the Manager;
 - (e) provide a forum for communication between the Board and senior financial and compliance representatives of the Manager;
 - (f) ensure effective internal and external group audit functions and communication between the Board and the external and any internal auditors (including internal auditors engaged by the Manager); and
 - (g) ensure compliance strategies and compliance functions are effective.
- 6.2 The Audit Committee should comprise:
 - (a) at least 3 directors;

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

6.3 While the Company will aim to have an Audit Committee of at least the size and composition outlined in paragraph 6.2 above, this may not always be practicable given the size of the Board and the circumstances of the Company, including the nature of the Company's business. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Audit Committee from time to time.

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

7. Nomination and Remuneration Committee

7.1 The objective of the Nomination and Remuneration Committee is to help the Board achieve its objective to ensure the Company:

- (a) has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- (b) has coherent remuneration policies and practices to attract and retain non-executive directors who will create value for shareholders;
- (c) observes those remuneration policies and practices.

7.2 The Nomination and Remuneration Committee should comprise:

- (a) at least 3 members;
- (b) all non-executive directors; and
- (c) all or a majority of independent directors.

7.3 While the Company aims to have a Nomination and Remuneration Committee of at least the size and composition outlined above, this may not always be practicable given the current size of the Board and circumstances of the Company, including the nature of the Company's business. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Nomination and Remuneration Committee from time to time.

7.4 The Nomination and Remuneration Committee will appoint its chairperson. The chairperson of the Nomination and Remuneration Committee must be an independent director.

8. Chairperson of the Board

8.1 The chairperson of the Board:

- (a) is appointed by the directors; and
- (b) must be an independent non-executive director.

8.2 The division of the responsibilities of the chairperson of the Board and the chief executive officer (if any) have been agreed by the Board and are set out in this charter.

8.3 The responsibilities of the chairperson of the Board include:

- (a) providing leadership to the Board;
- (b) promoting the efficient organisation and conduct of the Board's functions;
- (c) ensuring the Board considers and adopts strategies designed to meet present and future needs of the Company;
- (d) ensuring the Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- (e) monitoring the performance of the Board;
- (f) facilitating Board discussions to ensure core issues facing the Company are addressed;
- (g) briefing all directors in relation to issues arising at Board meetings;
- (h) facilitating the effective contribution and ongoing development of all directors;
- (i) promoting constructive and respectful relations between Board members and between the Board and the Manager and its representatives;
- (j) ensuring the Board regularly meets to consider the Company's performance and key issues facing it;
- (k) ensuring that at least one representative of the Manager (which may include a director associated with the Manager) is present at all meetings of the Board;
- (l) setting the agenda for the Board meetings after consulting with the Manager; and
- (m) chairing general meetings.

9. Manager, chief executive officer and executive team (if any)

9.1 The Manager has been appointed to manage all of the assets of the Company on behalf of the Company and to undertake on behalf of the Company the management and administrative tasks set out in the Management Agreement.

9.2 While the Manager is in place it is not proposed that the Company will have an internal executive or compliance team on the basis that the tasks that would typically be undertaken by those teams will be undertaken by appropriate teams within the Manager on behalf of the Company.

10. Directors

10.1 Directors are expected to attend and participate in Board meetings and meetings of committees on which they serve.

10.2 Directors are expected to spend the time needed, and meet as often as necessary, to properly discharge their responsibilities.

10.3 Directors are expected to review meeting materials before Board meetings and committee meetings.

10.4 Directors are encouraged to ask questions of, request information from, and raise any issue of concern with, the Manager. Directors are encouraged, where possible, to ask any questions and raise issues of concern before a meeting so that the Manager is prepared to address them.

- 10.5 Directors must exercise independent judgment when making decisions.
- 10.6 Publicly, directors are expected to support the letter and spirit of Board decisions.
- 10.7 Directors must keep Board information, discussions, deliberations, and decisions that are not publicly known, confidential.
- 10.8 Directors must comply with their legal duties when discharging their responsibilities as directors. Broadly, these duties are:
 - (a) to act in good faith and in the best interests of the Company;
 - (b) to act with care and diligence;
 - (c) to act for proper purposes;
 - (d) to avoid a conflict of interest or duty; and
 - (e) to refrain from making improper use of information gained through the position of director or taking improper advantage of the position of director.

11. Conflicts

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

12. Access to information and independent advice by directors

- 12.1 Directors have access any information they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions.
- 12.2 Directors have access to:
 - (a) representatives of the Manager to seek explanations and information from management; and
 - (b) auditors, both internal and external, to seek explanations and information from them without representatives of the Manager being present.

12.3 Directors may seek any independent professional advice they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions in accordance with the procedure agreed by the directors.

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

13. Retirement of directors

13.1 In accordance with the Company's constitution, no director is permitted to hold office for a continuous period in excess of three years or past the third annual general meeting following that director's appointment, whichever is the longer, without submitting themselves for re-election.

14. Code of conduct

14.1 The Company has adopted a corporate code of conduct setting out its legal and other obligations to all legitimate stakeholders including employees, customers and the community.

14.2 The Company has adopted a code of conduct for directors, senior executives and all other employees (if any) setting out required standards of behaviour, for the benefit of all shareholders.

14.3 Each director will be given a copy of the code of conduct applicable to their position when joining the Company.

15. Communication of information

15.1 The Board will:

- (a) communicate effectively with shareholders;
- (b) give shareholders ready access to balanced and understandable information about the Company and its corporate goals; and
- (c) make it relatively straightforward for shareholders to participate in general meetings.

15.2 The Board has adopted a communications strategy to facilitate and promote effective communication with shareholders and encourage participation at general meetings.

16. Review of Board performance

16.1 The Nomination and Remuneration Committee will annually review:

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

17. Approved and adopted

17.1 This charter was approved and adopted by the Board on 27 July 2015.