

# Board Charter

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Prospa Group Limited

ACN 625 648 722

## Document Management

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## 1. INTRODUCTION

The Board of the Company has adopted this Board Charter to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance and applicable laws.

This Charter includes an overview of:

- Board composition and process; and
- the relationship and interaction between the Board, Board Committees and management.

The Board Charter and the charters adopted by the Board for its standing Committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment market.

This Charter is to be reviewed by the Board as required and at least annually.

## 2. BOARD COMPOSITION

### 2.1 Board composition and size

- The Board is appointed by the shareholders. Non-executive Directors are engaged through a letter of appointment.
- The Board, together with the Remuneration, People and Nomination Committee, determines the size and composition of the Board, subject to the terms of the Company's Constitution.
- The Board, together with the Remuneration, People and Nomination Committee, will review the skills, experience, expertise and diversity represented by Directors on the Board and determine whether the composition and mix remain appropriate for the Company's strategy. The Board and Remuneration and Nomination Committee will have regard to this review when considering Board succession planning.

### 2.2 Director independence and tenure

- The Board regularly reviews the independence of each Non-executive Director in light of information relevant to this assessment as disclosed by each Non-executive Director to the Board.
- The Board only considers a Director to be independent where he or she is free of any interest, position, association or relationship that might influence, or might reasonably be perceived to influence, in a material respect his or her capacity to bring independent judgment to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally. The Board has adopted a definition of independence based on that set out in Box 2.3 of the ASX Corporate Governance Council's Principles and Recommendations (3rd edition) (see Attachment 1).
- The Board does not believe that it should establish an arbitrary limit on tenure. While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its

operation and, therefore, an increasing contribution to the Board as a whole. Accordingly, tenure is just one factor that the Board takes into account when assessing the independence and ongoing contribution of a Director in the context of the overall Board process.

### **3. BOARD ROLE AND RESPONSIBILITIES**

#### **3.1 Board role**

The Board's role is to:

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

#### **3.2 Board responsibilities**

The responsibilities of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the CEO and the CEO's direct reports;
- contributing to and approving management development of corporate strategy, including agreeing business plans, setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management, internal control and legal compliance. This includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy and policy;
- developing and reviewing the Company's values and corporate governance policies (including in respect of diversity and the measurable objectives for achieving diversity), monitoring corporate culture and setting the tone from the top;
- approving major capital expenditure, acquisitions and divestitures, and overseeing capital management, including approving dividend payments if applicable;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- approving financial reports, profit forecasts and other reports required at law or under the ASX Listing Rules to be adopted by the Board;
- ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs;
- evaluating, at least annually, the performance of the Board, its Committees and individual Directors in accordance with the process set out in Attachment 2;

- reviewing and approving, at least annually, the Board’s Risk Appetite Statement and the Company’s risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk; and
- performing such other functions as are prescribed by law or agreed by the Board from time to time.

### **3.3 Reserved powers**

Matters which are specifically reserved for the Board or its Committees include:

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

### **3.4 Director responsibilities**

- Directors will act at all times with honesty and integrity and will observe the highest standards of ethical behaviour.
- Directors will ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company’s interests.
- Directors will be expected to participate in all induction and orientation programs and any continuing education or training arranged for them.
- The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair.

## **4. DELEGATION OF DUTIES AND POWERS**

### **4.1 Delegation to Committees**

- The Board from time to time establishes Committees to streamline the discharge of its responsibilities.
- The Board adopts a formal charter for each standing Committee setting out the matters relevant to the composition, responsibilities and administration of the Committee.
- The permanent standing Committees of the Board are the Audit and Risk Committee, and Remuneration, People and Nomination Committee. The Board may also delegate specific functions to ad hoc Committees on an ‘as needs’ basis.

### **4.2 Delegation to management**

- While the Board retains ultimate responsibility for the strategy and performance of the Company, the day-to-day operation of the Company is conducted by, or under the supervision of, the CEO as directed by the Board.
- The Board approves corporate objectives for the CEO to work towards and, jointly with the CEO, develops the duties and responsibilities of the CEO.

- The management team (being the CEO and other officers to whom the management function is properly delegated by the CEO):
  - is responsible for implementing strategic objectives, plans and budgets approved by the Board; and
  - is accountable to the Board for matters within its delegated authority.
- Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.
- Directors are entitled to request additional information at any time when they consider it appropriate.

## 5. BOARD PROCESS

### 5.1 Meetings

- The Board will meet regularly and Directors will use all reasonable endeavours to attend Board meetings in person, via video conference or via teleconference.
- The Board quorum is three Directors, two of whom must be independent.
- Periodically, Non-executive Directors will meet without Executive Directors or management present.
- The Company's Constitution governs the regulation of Board meetings and proceedings.

### 5.2 The Chair

- The Board will appoint one of its members to be Chair.
- The Chair will be an independent Non-executive Director.
- The Chair represents the Board to the shareholders and communicates the Board's position.

### 5.3 The Company Secretary

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

## ATTACHMENT 1

# GUIDELINES OF THE BOARD OF DIRECTORS – INDEPENDENCE OF DIRECTORS

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

- are not employed in an executive capacity by the Company or another group member, or, if they have been previously employed in an executive capacity by the Company or another group member, there has been a period of at least 3 years between ceasing such employment and serving on the Board;
- have not within the last 3 years been a partner, director or senior employee of a provider of material professional services to the Company or another group member;
- have not within the last 3 years been in a material business relationship (eg as a supplier or customer) with the Company or other group member or an officer of or otherwise associated directly or indirectly someone with such a relationship;
- are not a substantial shareholder of the Company, or officer of, or otherwise associated directly or indirectly with, a substantial shareholder of the Company;
- have no material contractual relationship with the Company or another group member, other than as a director of the Company;
- do not have close family ties with any person who falls within any of the categories described above;
- have not been a director of the entity for such a period that his or her independence may have been compromised; and
- are free from any other interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

## Materiality thresholds

The Board will consider the materiality of the directors' interests, position, association or relationship for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles.

Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- The Board will determine the appropriate base to apply (eg revenue, equity or expenses), in the context of each situation.
- In general, the Board will consider a holding of 5% or more of the Company's shares to be material.
- In general, the Board will consider an affiliation with a business which accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular director should be reviewed by the Board.
- Overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the director's ability to act in the best interests of the Company.

## ATTACHMENT 2

# PERFORMANCE EVALUATION PROCESS IN RELATION TO THE BOARD AND ITS COMMITTEES

- On an annual basis, Directors will provide written feedback in relation to the performance of the Board, its Committees and individual Directors against a set of agreed criteria.
- Each Committee of the Board will also be required to provide feedback in terms of a review of its own performance.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.
- Feedback will be collected by the Chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees.
- In the case of the Chair of the Board's performance, feedback will be collected by the Chair of the Audit and Risk Committee or an external facilitator.

The CEO will also provide feedback from senior management in connection with any issues that may be relevant in the context of the Board performance review.