

Pact Group Holdings Ltd
ACN: 145 989 644

Board Charter and Relationship With Management



Charter

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, international best practice and applicable laws.

This Charter includes an overview of:

- Board composition and process;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board Committees.

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 every second year.

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 Nomination and Remuneration Committee, determines the size and composition of the Board, subject to the terms of the Company's Constitution.
- It is intended that the Board should comprise a majority of independent non-executive directors and comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The number of directors shall be determined in accordance with the Company's Constitution and the requirements of the *Corporation's Act 2001* (Cth).
- The Board, together with the Nomination and Remuneration Committee, will review the skills represented by directors on the Board and determine whether the composition and mix of those skills remain appropriate for the Company's strategy, subject to limits imposed by the Constitution and the terms served by existing non-executive directors.

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 directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence that is based on that set out in Box 2.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (see Attachment 1).

3. Board role and responsibilities

- 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 of the many factors that the Board takes into account when assessing the independence and ongoing contribution of a director in the context of the overall Board process.

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 ensure 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 key responsibilities

The responsibilities/functions of the Board include:

- defining the entity's purpose;
- approving the entity's statement of values and code of conduct to underpin the desired culture within the entity;
- overseeing management in its instilling of the entity's values;
- ensuring the entity has in place an appropriate risk management framework that covers both financial and non-financial risks;
- ensuring an appropriate framework exists for relevant information to be reported by management to the Board;
- as and when required challenging management and holding it accountable;
- satisfying itself that the entity's remuneration policies are aligned with the entity's purpose, values, strategic objectives and risk appetite;
- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the Chief Executive Officer (CEO) and the CEO's direct reports;

3. Board role and responsibilities

- contributing to and approving management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management, internal control and ethical 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;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing and reviewing corporate governance principles and policies; and
- performing such other functions as are prescribed by law or are assigned to the Board.

3.3 Reserved authorities

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

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment and removal of the CFO;
- appointment and removal of Company Secretary;
- appointment of directors to fill a vacancy or as 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 Directors

- 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, in accordance with the policy adopted by the Board.

4. Delegation of duties and powers

4 Delegation of duties and powers

4.1 Relationship with management

- Directors may delegate their powers as they consider it appropriate. However, ultimate responsibility for strategy and control rests with the directors.
- 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.

4.2 Role of the CEO

- The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by other officers to whom the management function is properly delegated by the CEO).
- The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO.
- The CEO is responsible for implementing strategic objectives, plans and budgets approved by the Board.

4.3 Delegation to Committees

- The Board from time to time establishes Committees to streamline the discharge of its responsibilities and support the Board in matters that require more intense review.
- There are two standing Committees:
 - (a) Audit, Business Risk and Compliance Committee; and
 - (b) Nominations and Remuneration Committee.
- Each standing Committee adopts a formal charter setting out the matters relevant to the composition, responsibilities and administration of the Committee.
- The Board may also delegate specific functions to ad-hoc Committees on an 'as needs' basis.

5. Board process

5 Board process

5.1 Meetings

- The Company's Constitution governs the regulation of Board meetings and proceedings.
- The Board will meet regularly, with non-executive directors meeting periodically without executive directors or management present.
- Directors will use all reasonable endeavours to attend Board meetings in person.

5.2 The Chair

- The Board will appoint one of its members to be Chair.
- The Chair is responsible:
 - (a) for leading the Board in its duties to the Pact's Group;
 - (b) for oversight of the processes and procedures in place to evaluate the performance of the Board, its Committees and individual directors; and
 - (c) for facilitating effective discussions at Board meetings.

5.3 The Company Secretary

- The Board must appoint at least one Company Secretary and may appoint additional Company Secretaries.
- The Board may appoint one or more Assistant Secretaries.
- The Company Secretary is accountable to the Board.
- The Company Secretary is responsible for the coordination of all Board business, including agendas, Board papers, minutes, communication with regulatory bodies and ASX, and statutory and other filings.
- All directors will have direct access to the Company Secretary.

5.4 Board and Committee performance evaluation

- The process for performance evaluation for the Board and its Committees is set out in Attachment 2.

Attachment 1

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Guidelines of the board of directors – independence of directors

Part 2 of the Company's Board Charter refers to the '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 members of management (a non-executive director) and they:

- do not receive performance-based remuneration (including options or performance rights) or participate in an employee incentive scheme;
- are not material shareholders of the Company, or officers of, or otherwise associated directly or indirectly with, material shareholders of the Company;
- have not within the last 3 years been employed in an executive capacity by the Company or another group member;
- are not and have not within the last three years, been in a material business relationship (eg. As a supplier, professional adviser, consultant or customer) with the company (or its subsidiaries), or is an officer of, or otherwise associated with, someone with such a relationship;
- have not within the last 3 years been an officer or employee of, or professional adviser to, a substantial shareholder;
- have no material contractual relationship with the Company or another group member, other than as a director of the Company;
- have no close family ties with any person who falls within any of the categories described above;
- have not been a director of the Company for such a period that his or her independence may have been compromised; and
- are free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality thresholds

The Board acknowledges materiality thresholds and independence as determined by the Corporations Acts and the ASX Listing Rules. Furthermore:

- the Board acknowledges a shareholding of the Company of 5% or more to be material; and
- 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

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Performance evaluation process in relation to the Board and its Committees

- A bi-annual review of the performance of the Board and its Committees will be conducted in through written feedback from the directors.
- The Board as a whole and each Committee will also be required to provide feedback following review of its own performance, in the same year it is reviewed by the directors.
- Feedback will be collected by the Chair of the Board, Company Secretary, or an external facilitator, and discussed by the Board and/or the relevant Committee, with consideration as to whether any steps should be taken to improve performance of the Board or its Committees.
- If thought appropriate, the Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of the Board performance review.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

Version Control

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