



Board Charter

Smartgroup Corporation Limited (ACN 126 266 831) (**Company**)

Last amended 17 December 2019

Board Charter

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Board Charter

1 Purpose of this charter

The Board is responsible for the governance of the Company. This charter sets out the role and responsibilities of the Board, which responsibilities may be delegated to committees of the Board or to management as the Board deems fit and appropriate, as well as the membership and the operation of the Board.

2 Roles and responsibilities of the Board

2.1 Roles

The primary roles of the Board are to demonstrate leadership, provide overall strategic guidance for the Company (and, through the Company, its subsidiaries (the **Group**)) to drive performance and to oversee the activities of management. The Board ensures that the activities of the Company comply with its constitution, from which the Board derives its authority to act, and with legal and regulatory requirements.

2.2 Responsibilities

The Board has the power to exercise all of the Company's powers, other than powers which the constitution and the Corporations Act 2001 (Cth) require to be exercised by the Company in general meeting. Without limiting clause 4.1, the Board's responsibilities include:

- (a) overseeing the business and affairs of the Company, ensuring that the Company has an appropriate governance framework and monitoring the effectiveness of the Company's governance framework and practices;
- (b) providing input into and final approval of management's recommendations for corporate strategy and performance objectives and assessing the continuing suitability of that strategy;
- (c) approving management's strategic business plans, annual budgets and associated KPIs or targets;
- (d) considering management's recommendations on proposed acquisitions, divestments and significant capital expenditure;
- (e) monitoring and assessing management's performance against the approved strategy, business plans, targets, acquisitions and material capital expenditure and overseeing management in instilling the Group's values;
- (f) ensuring appropriate resources are available to management and ratifying material organisational changes;
- (g) with the guidance of the Board's Human Resources and Remuneration committee:
 - (i) appointing or removing the Chief Executive Officer and approving the appointment or removal of all other senior executives, including the Chief Financial Officer and the Company Secretary;

- (ii) approving the establishment of (and changes to) remuneration incentive policies and practises, superannuation arrangements, guidelines for employee share plans, and recruitment, retention and termination policies, including as they apply to the Chief Executive Officer and other senior executives of the Group;
 - (iii) satisfying itself that the Group's remuneration policies are aligned with the Group's purpose, values, strategic objectives and risk appetite;
 - (iv) evaluating the performance of, and determining the remuneration of, the Chief Executive Officer and other senior executives of the Group;
 - (v) reviewing succession planning for directors, the Chief Executive Officer and other senior executives of the Group; and
 - (vi) monitoring the mix of skills, experience, expertise and diversity on the Board and, when necessary and permitted by the constitution of the Company and applicable law, appointing new directors;
- (h) considering management's recommendations on capital management, the issue or allotment of equity, borrowings and other financial proposals, guarantees and restructures;
- (i) with the guidance of the Board's Audit and Risk Committee:
- (i) approving policies on an overseeing the management of business risks and financial and non-financial risks (including enterprise risk, interest rate and foreign exchange risk and risks associated with work health and safety);
 - (ii) setting the risk appetite within which the Board expects management to operate;
 - (iii) reviewing, ratifying and monitoring management's framework and systems of risk management, internal controls and compliance, delegated authorities and legal compliance and ensuring that such framework and systems remain effective and relevant for the Group's business;
 - (iv) monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies;
 - (v) reviewing and monitoring processes and controls to maintain the integrity of accounting and corporate reporting systems and overseeing the external audit; and
 - (vi) approving financial results and other reports for release as well as any dividends to be paid to shareholders;
- (j) approving the Group's statement of values and Code of Conduct;
- (k) actively promoting ethical and responsible decision-making, including monitoring compliance with the Code of Conduct and establishing and monitoring compliance with other significant corporate policies;
- (l) satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board;

- (m) challenging management and holding it to account whenever necessary;
- (n) overseeing the operation of the Company's Disclosure and Communications Policy, ensuring effective communication with the Company's shareholders and other stakeholders and monitoring compliance with the Company's continuous disclosure obligations; and
- (o) approving the charters of Board committees.

2.3 Performance evaluation

The Board is responsible for ensuring that the performance of the Board, its committees and individual directors is reviewed and evaluated at least annually against the requirements of the Company's governance framework, including this Charter and the charter of the Board committees. The Board will use external facilitators to assist in this review and evaluation as appropriate.

The Board will consider the outcomes of each evaluation and identify areas where performance can be improved and steps for improving performance in those areas.

3 Role and responsibilities of chairperson and company secretary

3.1 Chairperson

The chairperson is an independent and non-executive director appointed by the Board. The chairperson is responsible for:

- (a) leading the Board to ensure its effectiveness on all aspects of its role including,
 - (i) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular, strategic issues;
 - (ii) promoting a culture of debate and openness at Board meetings; and
 - (iii) ensuring effective communication with shareholders;
- (b) chairing Board meetings and shareholder meetings;
- (c) ensuring the efficient organisation and conduct of the Board's function;
- (d) convening regular Board meetings and ensuring that meetings accurately record proceedings and decisions made, and, where appropriate, the views of individual directors;
- (e) ensuring that directors receive complete, adequate and timely information;
- (f) facilitating effective contribution by all directors and monitoring Board performance;
- (g) ensuring that the membership of the Board comprises suitable skills, expertise and experience that are relevant and appropriate for the Company's needs;

- (h) promoting constructive relations between Board members and between the Board and management;
- (i) ensuring that independent directors meet separately at least annually to consider, among other things, senior executive performance;
- (j) promoting high standards of corporate governance, including reviewing corporate governance matters with the company secretary and reporting on those matters to the Board; and
- (k) establishing and overseeing the implementation of policies and systems for Board performance review and renewal.

3.2 Company secretary

The company secretary acts as secretary of the Board, attending all meetings of the Board as required. The company secretary is accountable to the Board through the chairperson on all corporate governance matters. All directors should have direct access to the company secretary.

The company secretary is responsible for:

- (a) organising Board and standing committee meetings, and director attendance and ensuring such meeting are properly conducted;
- (b) monitoring compliance with Board policy and procedures;
- (c) administration of Board and committee meetings including compilation and despatch of relevant agenda, papers and briefing materials in sufficient time before each proposed meeting to fairly enable the members and other attendees, as necessary, to review the relevant documents and otherwise prepare for the proposed meeting. Distribution of the papers no less than 5 working days prior to any proposed meeting would constitute sufficient time unless the directors consent to a shorter period;
- (d) preparation of minutes of Board and committee meetings (for consideration and approval at the next relevant meeting) and promptly circulating the minutes to directors after review by the chairperson;
- (e) ensuring the Company complies with its requirements under the Corporations Act regarding records maintenance, registered office, annual returns and notices to be lodged with the Australian Securities and Investments Commission; communication with the Australian Securities Exchange (**ASX**) about listing rule matters and all lodgements with ASX and other regulators;
- (f) ensuring adherence to and compliance with the ASX Listing Rules by the Company;
- (g) oversight of the relationship with the Company's share registrar;
- (h) providing support to the chairperson, the directors and the standing committees to ensure adherence to Board policies and procedures;
- (i) ensuring timely communication of Board level decisions to senior management;
- (j) ensuring all appointments to the Board and Committees are properly made; and

- (k) facilitating the timely provision of information as may be requested by the directors from time to time.

4 Delegations of authority

4.1 Delegation to committees

Under the Company's constitution, the Board may delegate responsibility to committees to consider certain issues in further detail and then report back to and advise the Board.

Standing committees established by the Board will adopt charters setting out the authority, responsibilities, membership and operation of the committee. There are currently three standing committees:

- (a) Audit and Risk Committee;
- (b) Human Resources and Remuneration Committee; and
- (c) IT and Innovation Committee.

The chair of each of these standing committees must be an independent non-executive director and in the case of the Audit and Risk Committee may not be the chairperson of the Board.

The Board may establish other committees from time to time to consider other matters of special importance.

Directors are entitled to attend committee meetings and receive committee papers. Committees will maintain minutes of their meetings and are entitled to obtain professional or other advice in order to effectively carry out their proper functions. The chairperson of each committee will report back on committee meetings to the Board at the next full Board meeting.

The charters for each committee will be approved by the Board and will set out matters relevant to the composition, responsibilities and administration of the committee. Each committee will review its charter on an annual basis and make a recommendation to the Board as to any changes.

The committee will report to the Board on decisions and actions taken and make recommendations in accordance with the delegated authority to each committee as set out in the charter for that committee. A copy of the minutes for each committee meeting will be provided to the next meeting of the Board.

4.2 Delegation to CEO and management

The CEO's role includes:

- (a) effective leadership of the management team;
- (b) the development of strategic objectives and plans for the business;
- (c) the implementation of the Board's approved policies, strategies and decisions;
- (d) to bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

The Board shall also delegate to the CEO the authority to manage and control the day-to-day affairs of the Company within levels or limits of authority specified by the Board from time to time.

Within such specified limits of authority, the Board may impose specific limits or restrictions on CEO delegations. These delegations of authority will be documented and maintained by the Company Secretary and will be reviewed by the Board as appropriate from time to time.

Unless otherwise specified in the terms of any delegation from the Board to the CEO, the CEO has authority to sub-delegate to the senior management team.

4.3 Relationship between Board and management

The Company's CEO and senior management have responsibility for the development and execution of the Company's strategy and for the day to day management of the Company. Ultimate approval of the Company's strategy and oversight of the Company rests with the Board.

The CEO is accountable to the Board for the execution of the strategy and the exercise of the authority delegated to management. The CEO and senior management will report to the Board on performance against this strategy and on the exercise of the delegated powers, as required by the Board.

Management must supply accurate, complete and timely information to the Board (including committees of the Board) to allow it to discharge its duties effectively. The Board must independently assess the information provided by management and review key elements of the operations of the Company. The directors may request additional information from management and shall have unrestricted access to the Company's records and information. The CEO will send the directors a comprehensive performance report on a monthly basis.

5 Membership

5.1 Composition and size

The Board will consist of a majority of independent non-executive directors. The chairperson of the Board will be elected from time to time by the directors and must be an independent non-executive director.

The directors will determine the size of the Board, subject to the Company's constitution, which provides that there can be no less than four directors. The number of directors and the composition of the Board must at all times be appropriate to the Company, facilitate efficient decision making and permit the Board to adequately discharge its responsibilities and duties.

The Company will seek to have directors with a range of skills, experience and expertise that is appropriate for the Company, its strategic objectives and its values. The Company's succession plans are designed to maintain an appropriate balance of skills, experience and expertise and appropriate diversity on the Board.

5.2 Appointment and re-election of directors

The process of selection and appointment of new directors to the Board is that when a vacancy arises, the Human Resources and Remuneration Committee identifies candidates with appropriate skills, experience and expertise. Candidates with the skills, experience and expertise that best complement the Board's effectiveness will be recommended to the Board. When the Board considers that a suitable candidate has been found, that person may be

appointed by the Board to fill a casual vacancy in accordance with the Company's constitution, but must stand for election by shareholders at the next annual general meeting.

Non-executive directors will be engaged by a letter of appointment setting out the terms and conditions of their appointment. Directors will be expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them.

Directors must retire from office in accordance with the constitution. Retiring directors may be eligible for re-election. Before each annual general meeting, the chairperson of the Board may assess the performance of any director standing for re-election and the Board will determine their recommendation (if any) to shareholders on the re-election of the director (in the absence of the director involved). The Board (excluding the chairperson), will conduct the review of the chairperson.

5.3 Independence

All directors - whether independent or not - should bring an independent judgment to bear on all Board decisions.

A director is considered independent by the Company if the director is a non-executive director who is not a member of management and is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual shareholder or other party.

A director who:

- (a) is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial shareholder of the Company;
- (b) is or has been employed in an executive capacity by the Company or any of its subsidiaries, and there has not been a period of at least three years between ceasing that employment and serving on the Board;
- (c) receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- (d) is, or has been within the last three years, in a material business relationship, (for example as a supplier, professional adviser, consultant or customer) with the Company or any of its subsidiaries, or is an officer of, or otherwise associated with, someone with such a relationship;
- (e) has close personal ties with any person who falls within any of (a) to (d) above; or
- (f) has been a director of the Company for such a period that his or her independence from management and substantial shareholders may have been compromised,

will not be considered independent, unless it is clear that the interest, position or relationship in question is not material and will not interfere with 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.

Each independent director must provide the Board with all information that may be relevant to this assessment, including information about close personal ties. For these purposes, close personal ties based on family, friendship or other social or business connections should be disclosed.

The Board will regularly assess the independence of each director in light of the interests disclosed by them. The outcome of this assessment will be reflected in the corporate governance section of the Company's annual report. Any change to a director's independent status will be disclosed to the market in a timely fashion.

5.4 Conduct of individual directors

Directors must at all times act in accordance with legal and statutory requirements, and discharge all their duties as directors. Directors must:

- (a) discharge their duties in good faith and in the best interests of the Company and for a proper purpose;
- (b) act with care and diligence, demonstrate commercial reasonableness in their decision making and act with the level of skill and care expected of a director of a major company, including applying an independent and enquiring mind to their responsibilities;
- (c) avoid conflicts of interest except in those circumstances permitted by the Corporations Act;
- (d) not make improper use of information gained through their position as a director;
- (e) not take improper advantage of their position as a director;
- (f) notify other directors of a material personal interest when a conflict arises;
- (g) make reasonable enquiries if relying on information or advice provided by others;
- (h) undertake any necessary inquiries in respect of delegates;
- (i) give the Company or ASX Limited all the information required by the Corporations Act; and
- (j) not permit the Company to engage in insolvent trading.

5.5 New directorships

All directors shall notify the chairperson before accepting any new directorships in any other organisation or any other position with a significant time commitment attached. The notification shall include an indication of time commitment required and any material changes to existing directorships under the new appointment.

5.6 Directors' remuneration

Subject to the constitution of the Company and applicable law, the remuneration of non-executive directors shall be decided by the Board as a whole and shall commensurate with their responsibilities and time commitment. The remuneration should be in line with market practice and based on performance and is for the Board as a whole to determine, within the limits as set out in the Company's constitution.

6 Board process

6.1 Meetings

All Board meetings will be conducted in accordance with the Company's constitution and the Corporations Act.

Directors are committed to collective decision making, but have a duty to question and raise any issues of concern to them. Matters are to be debated openly and constructively amongst the directors. Individual directors must utilise their particular skills, experience and knowledge when discussing matters at Board meetings.

A director must have an enquiring mind - they must ask questions and take a diligent interest to understand information presented, irrespective of the culture of the Company, past performance or the experience of management or the auditors. In particular, financial statements must be read, understood and focussed upon by each director.

Directors must keep Board discussions and resolutions confidential, except where they are required to be disclosed.

All directors are generally expected to prepare adequately, attend and participate at each Board meeting. All directors should actively consider the sufficiency of the contents of the board papers that they have been provided for consideration. The Board should assess the information that it receives and the timing of its distribution to ensure the Board has sufficient time to examine the material provided to it for approval.

Non-executive directors will periodically meet without executive directors or management present. The Board may request or invite management or external consultants to attend Board meetings, where necessary or desirable.

The Board may conduct meetings by telephone or video conference or may pass circular resolutions in accordance with the constitution of the Company.

6.2 Independent professional advice

Following consultation with the chairperson, directors may seek independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities as a director of the Company or any of its subsidiaries. Generally, this advice will be made available to all directors.

6.3 Access to management

The directors have complete and open access to management following consultation with the chairperson or CEO and otherwise to seek clarification on matters before the board/in board papers or aspects of the Group's business.

7 Review and publication of charter

The Board is responsible for reviewing this charter at least once a year and the division of functions and responsibilities in the Company to determine its appropriateness to the needs of the Company from time to time. The charter may be amended by resolution of the Board.

The charter is available on the Company's website and the key features are published in the annual report.