

## Otto Energy Limited Board Charter

### 1. Responsibilities of the Board

In carrying out the responsibilities and powers set out in this Charter, the Board:

- recognises its overriding responsibilities to act honestly, fairly, diligently and in accordance with the law in serving the interests of its shareholders; and
- recognises its duties and responsibilities to its employees, customers and the community.

In addition to the matters it is expressly required by law to approve, the specific responsibilities of the Board are outlined in the Matter Reserved for the Board Policy.

### 2. Composition of the Board

The composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

In appointing new members to the Board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The majority of the Board is comprised of non-executive Directors. Where practical, at least 50% of the Board will be independent. An independent Director is one 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. Independent Directors should meet the definition of what constitutes independence as set out in Section 8 of the Board Charter.

Directors must disclose their interests. The independence of the Directors should be regularly assessed by the Board in light of the interests disclosed by them.

Directors are expected to bring their independent views and judgement to the Board and must declare immediately to the Board any potential or active conflicts of interest.

Directors must declare immediately to the Board, and the Board will determine whether to declare to the market, any loss of independence.

No member of the Board may serve for more than three years or past the third annual general meeting following their appointment, whichever is the longer, without being re-elected by the shareholders.

Prior to the Board proposing re-election of non-executive Directors, their performance will be evaluated by the Nomination Committee to ensure that they continue to contribute effectively to the Board.

The Board should comprise Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

### 3. The Role of the Chairman

The Chairman should be a non-executive Director. If a Chairman ceases to be an independent Director then the Board will consider appointing a lead independent Director.

The Chief Executive Officer should not be the Chairman of the Company during his term as Chief Executive Officer or in the future.

The Chairman must be able to commit the time to discharge the role effectively.

The Chairman is responsible for the leadership of the Board, ensuring it is effective, setting the agenda of the Board, conducting the Board meetings and conducting the shareholder meetings. The Chair should facilitate

the effective contribution of all Directors and promote constructive and respectful relations between Directors and between the Board and management

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In the event that the Chairman is absent from a meeting of the Board then the Board shall appoint a Chairman for that meeting.

#### **4. Board Committees**

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of committees.

To this end the Board has established an Audit and Risk Management Committee which carries out its duties in line with the Audit Committee Charter and a Remuneration and Nomination Committee which carries out its duties in accordance with the Remuneration and Nomination Committee Charter.

The Board will continue to assess the requirement for and benefits of establishing additional separate committee as the Company's operations develop.

#### **5. Board Meetings**

There must be two Directors present at a meeting to constitute a quorum.

The Board will schedule at least 6 formal Board meetings a year and hold additional meetings, including by telephone conference calls, as may be required.

Non-executive Directors may confer at scheduled times without management being present.

The minutes of each Board meeting shall be prepared by the Company Secretary and circulated to Directors after each meeting for approval. Minutes of meetings should be approved within one month of the meeting.

The Company Secretary shall distribute supporting papers for each meeting of the Board as far in advance as practicable.

#### **6. Access to Advice**

All Directors have unrestricted access to company records and information except where the Board determines that such access would be adverse to the Company's interests.

All Directors may consult management and employees as required to enable them to discharge their duties as Directors.

The Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

#### **7. The Board's Relationship with Management**

The Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer. The specific responsibilities delegated to the Chief Executive Officer are outlined in the Matters Reserved for the Chief Executive Officer Policy.

In addition to formal reporting structures, members of the Board are encouraged to have direct communications with management and other employees within the Group to facilitate the carrying out of their duties as Directors.

## 8. Director independence

A Director is only to be regarded as independent if the Director is independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of the Director's unfettered and independent judgement.

The Board assesses the independence of each director in light of interests disclosed by them.

In determining the independent status of a Director, the Board will consider the ASX Corporate Governance Principle and Recommendations guidance on relationships affecting the independent status of a Director which provide that an independent Director is a non-executive Director (i.e. is not a member of management) who:

- is not a substantial shareholder of the Company (as defined in section 9 of the Corporations Act);
- within the last 3 years has not been employed in an executive capacity by the Company;
- within the last 3 years has not been a material professional adviser or material consultant to the Company;
- is not a material supplier or customer of the Company;

has no material contractual relationship with the Company other than as a Director of the Company.

The assessment of whether a Director is considered independent (both from the perspective of the Company and the Director) is based on the following materiality thresholds:

- payments made by the Company to the Director or any of his associated entities for the provision of goods and/or services does not exceed 10% of the annual gross expenditure of the Company; or
- payments received by the Director for the provision of goods and/or services to the Company does not exceed 25% of the annual income or business turnover of the Director or his associated entities.

### Policy history

Last review: April 2010

Review frequency: Annually or as required