

# **KAILI RESOURCES LIMITED**

## **CORPORATE GOVERNANCE STATEMENT**

Updated on 31 March 2021

### **CORPORATE GOVERNANCE POLICY**

The Board of Directors oversees and monitors the business and affairs of the Group. To assist the Board in discharging its responsibilities, the Board has adopted the following principles of corporate governance that are considered, having regards to cost effectiveness, appropriate for the present size and scope of operations of the Group and that unless otherwise explained, follows the Corporate Governance Principles and Recommendations – 4<sup>th</sup> edition of the ASX Corporate Governance Council.

#### **Principle 1: Lay solid foundations for management and oversight.**

##### ***Board Charter***

The Board is responsible for:

- (i) developing, approving and monitoring implementation by management of corporate policy, strategy and performance objectives;
- (ii) developing and monitoring adoption of appropriate principles of corporate governance;
- (iii) reviewing, ratifying and monitoring systems of accountability, risk management and internal control, codes of conduct and legal compliance;
- (iv) approving and monitoring management implementation of financial and other reporting;
- (v) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments delegated to management for implementation;
- (vi) reviewing and approving business plans, operating and capital budgets developed by and for implementation by management;
- (vii) reviewing, ratifying and monitoring systems implemented by management for health, safety and environment management and controls;
- (viii) appointing, removal and evaluating the performance of the chief executive officer and senior executives, including the Company Secretary; and
- (ix) selecting and appointing new Directors to the Board, and evaluating the performance of all members of the Board.

The Board delegates responsibility for implementation of approved business strategy, day to day operations and administration of the Group to the Executive Directors and Senior Executives.

##### ***Diversity Policy***

The Board has established a policy concerning diversity recognising the benefits that it can bring to the Group. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Group encourages an environment conducive to the appointment of well qualified employees, consultants, senior management and Board candidates so that there is appropriate diversity to maximise the achievement of corporate goals.

The Board has set the following objectives for achieving diversity in the next few years as the Group's business develops from its current early stage of operations:

- (i) 35% female participants in operations and support positions;
- (ii) 25% female in senior executive positions;
- (iii) 25% female in Board positions.

### ***Performance Assessment***

The Board undertakes bi-annual self- assessment of its collective performance and the performance of the Chairman.

The Chairman undertakes a bi-annual assessment of the performance of individual directors. Any deficiency identified in a Director's performance is addressed directly with the relevant Director.

## **Principle 2: Structure the Board to be effective and add value**

### ***Composition of the Board***

The composition of the Board is determined in accordance with the following principles and guidelines:

- (i) the Board shall comprise of a maximum of Directors as approved by shareholders;
- (ii) Directors are initially appointed by the Board and are subject to re-election at the annual general meeting by shareholders at three-yearly intervals, or at the next annual general meeting after their initial appointment;
- (iii) to the extent practicable and having regards to the stage of development of the Company and cost, the Board shall comprise a majority of non-executive and independent Directors; and
- (iv) The Board shall comprise of Directors with a range of skills and experience that are appropriate and can assist the Directors in performing their duties within the scope of the Group's operations.

The Board reviews its composition regularly to ensure that it has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills and expertise, the Board selects that new Director from appropriate candidates with relevant qualifications, skills, expertise and experience.

The Board presently is composed of four Non-Executive Directors namely, Mr Donghai Zhang - Chairman, Mr Chunlin Liu, Miss Jing Li and Mr Jianzhong Yang and one Executive Director Mr Long Zhao. Mr Donghai Zhang, Mr Chunlin Liu and Miss Jing Li are nominees of the ultimate parent company. Mr Jianzhong Yang is a substantial shareholder. Consequently, the Company is not complying with Recommendations 2.4 and 2.5 of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council at this early stage of development to contain costs. The Board, with majority of members being representatives of substantial

shareholders has interest to add value to the Company and therefore act for the benefit of all shareholders.

### ***Nomination***

Given the present size of the Group, the existing Board structure is able to meet the needs of the Group in the examination of selection and appointment practices without the establishment of a nomination committee of the Board as recommended under Recommendation 2.1 of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.

### ***Independent Professional Advice***

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Group's expense. Prior approval of the Chairman or the Board is required, which will not be unreasonably withheld.

## **Principle 3: Instil a culture of acting lawfully, ethically and responsibly**

### **Code of Conduct**

The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards in addition to compliance with their legal obligations and having regard to the reasonable expectations of the Group's stakeholders. All Directors and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

In particular, Directors and employees must at all times: manage situations where their personal interests may conflict with the interests of the Group; not take advantage of property, information or position for personal gain; not compete with the Group; not use non-public information except where disclosure is authorised or legally mandated; deal fairly with customers, suppliers, competitors and employees; protect and make proper use of the Group's assets; comply with laws and regulations, and actively promote compliance; and report any unlawful or unethical behaviour knowing that they will have proper protection by the Board when making such reports in good faith under a Whistleblower Policy adopted by the Group.

A copy of the Group's Code of Conduct and Whistleblower Policy are posted on the website under "Corporate Governance" link.

### ***Securities Trading Policy***

The Board has set a policy on dealing with securities of the Company. Directors and employees, and their family members and close associates, may not buy, sell or subscribe for any securities of the Company, whether on their own account or on behalf of another person while in possession of price sensitive information which is not generally available to the public. They must comply with the Share Trading Policy of the Group that has been lodged with ASX on 25 February 2011.

A copy of the Group's Share Trading Policy is posted on the website under "Corporate Governance" link.

### ***Anti-bribery and Corruption Policy***

A copy of the Group's Anti-bribery and Corruption Policy is posted on the website under "Corporate Governance" link.

## **Principle 4: Safeguard the integrity of corporate reporting**

### ***Audit Committee***

The Board is composed of non-independent Directors as defined by the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council, and is therefore not able to establish an Audit Committee of the composition recommended under Recommendation 4.1(a) of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.

All matters relating to the audit functions and to safeguard the integrity of the Group's corporate reporting are handled by the Board and an independent firm providing accounting services.

### ***Financial Report***

To assist the Board in approving the Group's financial report, 2 Directors including Executive Directors are required to present a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## **Principle 5: Make timely and balanced disclosure**

The Board's policy is for all investors to have equal and timely access to material information concerning the Group, including its financial position, performance, ownership and governance.

The Board has delegated the function of continuous disclosure under ASX's Listing Rules to the Executive Directors and Company Secretary to assess the type of information that needs to be disclosed and to ensure that Group's announcements are made in a timely manner with the assistance of the Company Secretary, are factual, do not omit material information and are in compliance with the Listing Rules. Information which is considered to be price sensitive is approved by the Board before its release.

## **Principle 6: Respect the rights of security holders**

The Board shall establish practices to facilitate communication with the Company's security holders. The Executive Directors and the Company Secretary oversee this process through the Group's website and direct mailing by email and/or post. Briefings are held with professional investors as appropriate. Prior to such briefings, information to be given is first released to ASX

and later posted on the Group's website and broadcast to shareholders/investors who have registered their email address with the Group.

## **Principle 7: Recognise and manage risk**

### ***Business Risk***

The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies.

Specific areas of risk that are identified are regularly considered by the Board. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures.

### ***Internal Audit***

The current stage of establishment and size of the Group does not justify the cost of increasing the number of staff to implement an internal audit function.

The evaluation and continuous improvement in the effectiveness of its risk management and internal control processes are considered by the Board at its regular meetings.

### ***Environment, Health and Safety Management***

The Board recognises the importance of environmental, occupational health and safety issues, and is committed to the highest standards of performance. All Directors and employees are required to comply with all relevant legislation, continually assess and improve the impact of the Group's operations on the environment, and encourage the adoption of similar standards by the Group's principal suppliers, contractors and joint venture partners.

The Board regularly reviews risk management with the Executive Directors who are required to report on its effectiveness.

## **Principle 8: Remunerate fairly and responsibly**

The Board is composed of non-independent Directors and is therefore not able to establish a Remuneration Committee of the composition recommended under Recommendation 8.1(a) of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.

The Board reviews the level and composition of remuneration packages applicable to all Directors and senior executives on an annual basis by reference to market practice for the industry in which the Company operates. The policy is for remuneration levels to be competitively set to retain and/or attract qualified and experienced Directors and senior executives. Where necessary, the Remuneration Committee obtains independent advice on the appropriateness of remuneration packages.

Directors' fees are determined within an aggregate fee pool limit approved by shareholders. As the Company is not yet generating cash flows from operations and is at an early stage of development, the Board has not yet resolved on the amount of fee payable for each director having regards to fairness and market rates and the stage of development of the Group.