



# Corporate Governance Code

**Authorised by:**

**Bisalloy Steel Group Board**

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This Corporate Governance Code outlines the core principles of corporate governance to which Bisalloy Steel Group Limited (Bisalloy) ascribes. The Board places great importance on the governance of Bisalloy and this Corporate Governance Code reflects the Board's position. The Board intends that Bisalloy should adopt and comply with best practice principles to address corporate governance issues. The Board is of the opinion that the development and implementation of best practice corporate governance is a performance enhancement opportunity, rather than just a compliance issue.

## **1. Role of the Board of Directors**

The Board is responsible for the overall governance of Bisalloy its strategic direction and the appointment of the Managing Director and CEO. This includes the setting of goals, monitoring performance, ensuring Bisalloy's internal control and reporting procedures are adequate, effective and ethical, and that Bisalloy's strategic direction provides value for its shareholders.

This is an active, not a passive responsibility and the Board has the responsibility to ensure that in good times as well as difficult times, management is capably executing its responsibilities. To this end, the Board's policy is that it must regularly monitor the effectiveness of management policies and decisions, including the execution of its strategies.

In addition to fulfilling its obligations to generate rewards for shareholders who invest their capital in Bisalloy, the Board has responsibilities to Bisalloy's customers, shareholders, employees, suppliers and to the welfare of the communities in which Bisalloy operates.

## **2. Board Composition and Independence**

As a matter of principle, a majority of the directors are and must be non-executive directors. In addition, the positions of Chairman and CEO and Managing Director are required to be held by separate persons. It is also Board policy that the position of Chairman of the Board is always to be filled by a non-executive director.

This approach ensures that there are a sufficient number of non-executive directors to:

- bring an "independent" view to the Board's deliberations.
- help the Board (and the Chairman) provide Bisalloy with effective leadership and be sure that Bisalloy is competently run in its own best interests and consequently in the best interests of all stakeholders;
- foster the continuing effectiveness of the CEO and Managing Director and management.

Non-executive directors should use all reasonable endeavours to satisfy themselves that Bisalloy's transactions are conducted in accordance with the law and the highest standards of propriety.

Recognising that the composition of the Board is subject to shareholder approval Board policy is that, as a matter of principle, the Board should be comprised of directors with an appropriate range and mix of qualifications and specific expertise that will enable the Board to effectively function. The Nominations & Remuneration Committee sets and reviews the criteria for appointment of new directors. In addition, the Board conducts a formal review of its performance. Both these mechanisms act as a regular check on the composition of the Board and the appropriateness of the skills and expertise of the Board members for Bisalloy.

Members of the senior executive team may, at the invitation of the Board, attend Board meetings on a regular basis even though they are not members of the Board.

On matters of corporate governance, decisions are to be made by the non-executive/independent directors. In addition, the CEO and Managing Director does not participate in deliberations of the Board or a Board Committee when matters could affect his position.

Board policy is to meet best practice criteria in relation to the independence of non-executive directors. The Board recognises that various principles and factors are relevant in determining independence. It is intended that a majority of non-executive directors be classed as independent directors having regard to applicable best practice principles.

### **3. Term of Office**

All directors (except the CEO and Managing Director) are required to submit themselves for re-election at regular intervals and at least every three years.

The Board does not believe it should establish a limit upon 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 into Bisalloy and its operations and therefore, an increasing contribution to the Board as a whole. The Board will continue to review the appropriateness of setting limits upon tenure. However, as an alternative, before a director is nominated for re-election at a shareholders' meeting, the Chairman consults with the rest of the Board and reviews the director's performance before the Board endorses his or her re-nomination.

## 4. Conflicts and Declarations of Interests

The *Corporations Act 2001* (Cth) imposes obligations on directors in relation to disclosure of interests. Specifically, the Act provides that:

- a. a director who has a material personal interest in any matter that relates to the affairs of the company is required to give the other directors notice of the interest, except in certain circumstances specified in the Act. These include where the director is a member of the company and the interest is an interest in common with other members of the company;
- b. directors may choose to give standing notice about an interest to each of the other directors; and
- c. a director who has a material personal interest in a matter that is being considered at a directors' meeting must not:
  1. be present while the matter is being considered at the meeting; or
  2. vote on the matter.

As a matter of practice, the Board has developed the following protocol:

- a. directors must disclose all interests and other directorships;
- b. directors may choose to submit standing notices of interest to all Board members, or must disclose their interest in a matter being considered by the Board at that time;
- c. directors must warn of potential conflict with duty to another company and ensure any change in circumstances is advised;
- d. the Board will continually consider the application of the relevant provisions of the *Corporations Act 2001* (Cth) and, if the Chairman determines that a director's interest in a matter is sufficiently material, or would result in a conflict of interest arising, the director:
  1. will not receive Board Papers on the subject of interest, but will be advised that certain Board Papers have been excluded;
  2. cannot be present at the meeting when the matter is considered unless the other directors resolve that the director in question can stay; and
  3. cannot vote on the matter unless the other directors resolve that the director in question can vote; and
- e. directors must obtain the company's consent before disclosing company information to another company or third party.

In accordance with the Listing Rules, each director is required to enter into an agreement with the company to provide details of his or her “relevant interest” in the company’s securities on appointment, within 5 business days (or such lesser period as set out in the relevant agreement) of a change in the “relevant interest”, interest, and following retirement. Any change in a director’s interest must be notified to the ASX within 5 business days by lodgement of Appendix 3Y.

Each director has a duty to avoid conflicts of interest, and, as noted above must notify the Board of any potential conflicts he or she may have, including any which may arise as a result of his or her duty to another company.

Each director has a duty to maintain the confidentiality of information he or she learns by virtue of his or her position as director. Disclosure of such information by the director should only be made after consultation with the Chairman of the Board.

## **5. Review of Board Performance**

Every 12 to 18 months, the Board conducts a formal review of its performance. The review includes:

- examination of the effectiveness and composition of the Board, including the required mix of skills, experience and other qualities which the non-executive directors should bring to the Board for it to function competently and efficiently;
- review of Bisalloy’s strategic direction and objectives;
- assessment of the CEO and Managing Director’s performance by the non-executive directors;
- assessment of whether corporate governance practices are appropriate and reflect “good practice”; and
- assessment of whether the expectations of differing stakeholders have been met.

As part of this process the Chairman also:

- meets with the senior executive team to discuss with them their views of the Board’s performance and level of involvement;
- discusses each individual director’s contributions face-to-face as appropriate; and
- meets with the other non-executive directors without any management present (this is in addition to the consideration of the CEO and Managing Director’s performance and remuneration which is conducted in the absence of the CEO and Managing Director).

Informal reviews of the Board's performance will be conducted as necessary. In addition, any director may suggest that the Board conduct a formal review earlier than the 12 to 18 month timeframe which generally applies.

## **6. Board Review of Management and CEO and Managing Director**

An important function of the Board is to establish performance criteria for the CEO and Managing Director. The Board will formally conduct a performance review of the CEO and Managing Director at least annually and will be advised on these matters by the Nominations & Remuneration Committee. The CEO and Managing Director does not participate in these deliberations.

## **7. Board Committees**

Currently Bisalloy has two Board Committees:

- the Audit & Risk Committee; and
- the Nominations & Remuneration Committee.

Each Committee has a formal Committee Charter which has been approved by the Board and which outlines the role and function of each Committee.

The members of each Committee annually review the role and function of each Committee and make appropriate amendments to the Committee Charter.

The Board may establish such other committees as it determines appropriate. Board policy is that the terms of reference for any Board committee are agreed by the Board at the time the committee is established.

Each Board committee has a non-executive director as Chairman of the committee.

As a matter of principle, committee members have access to the appropriate external and professional advice needed to assist the committee in fulfilling its role.

## 8. Board Operational Standards & Policies

Bisalloy has a number of Board operational standards and policies including the following:

- ability for directors to obtain independent advice with the prior approval of the Chairman;
- formal induction and training programs for new directors, refresher programs for existing directors and educational sessions for directors on contemporary issues of relevance to Bisalloy and its operations;
- maintenance of an appropriate level of D&O insurance cover for Bisalloy's directors and other officers;
- Continuous Disclosure Policy detailing the procedures for assessing whether information must be disclosed to the ASX under the Listing Rules and who is authorised to make announcements to the ASX;
- Share Trading Guidelines which outline the prohibition against insider trading and specifies the "windows" during which directors, executives and employees can deal in Bisalloy's securities;
- Director Disclosure Agreement for notification of holdings of Company securities by directors which details the requirements and obligations of directors to notify the ASX of their holdings of Bisalloy's securities (as required by the ASX Listing Rules) – as outlined above;
- Conflicts of Interests Policy which outlines the principles governing notification of outside interests and procedures for identifying and dealing with conflicts of interests (as outlined above); and
- Code of Business Conduct which outlines the board principles of ethics to which Bisalloy ascribed (as discussed below).

## 9. Ethical Standards & Code of Business Conduct

As a matter of Board policy, directors and management are expected to conduct themselves with the highest ethical standards. All directors and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the economic entity.

Bisalloy aims to maintain the highest standard of ethical behaviour in business dealings. In maintaining the ethical standards the company will:

- behave with integrity in all its dealings with customers, shareholders, government, employees, suppliers and the community;

- ensure that its actions comply with applicable laws and regulations and maintain harmonious relations with communities located near the company's operations;
- maintain and implement policies that will enable the company's employees to avoid situations where conflicts of interest could arise;
- not engage in any activity that could be construed to involve an improper inducement and achieve a working environment where:
  - equal opportunity is practiced;
  - harassment and other offensive behaviour is not tolerated;
  - the confidentiality of commercially sensitive information is protected; and
  - employees are encouraged to discuss concerns about ethical behaviour with their supervisor.

The Board is responsible for establishing compliance and evaluating the effectiveness of the company's Code of Business Conduct.