

# AFT PHARMACEUTICALS LIMITED

## (AFT Pharmaceuticals)

### Board Charter

#### 1. Purpose

This Board Charter sets out the role, responsibilities, composition and structure of the board of directors of AFT Pharmaceuticals (the **Board**).

#### 2. Role and responsibilities of the Board

The Board has ultimate responsibility for the strategic direction of AFT Pharmaceuticals and for supervising AFT Pharmaceuticals' management for the benefit of shareholders.

In performing its responsibilities, the Board should act at all times in a manner designed to create and continue to build sustainable value for shareholders and in accordance with the duties and obligations imposed on them by AFT Pharmaceuticals' constitution and by law.

Specifically the Board is responsible for:

- (a) demonstrating leadership;
- (b) setting and overseeing management's implementation of the purpose, strategic direction, and appropriate operating frameworks for AFT Pharmaceuticals;
- (c) approving AFT Pharmaceuticals' values and code of conduct to underpin the desired culture within the company;
- (d) monitoring management's performance and, whenever required, challenging management and holding it to account;
- (e) determining the high-level health and safety strategy for AFT Pharmaceuticals and actively monitoring management's implementation of that policy, processes and procedures;
- (f) ensuring that there are adequate financial and operational resources available to meet AFT Pharmaceuticals' objectives;
- (g) appointing and replacing the Chief Executive Officer;
- (h) approving the appointment and removal of direct reports to the Chief Executive Officer and the Company Secretary;
- (i) approving and monitoring financial reporting, financial solvency, annual budget and capital management;
- (j) ensuring AFT Pharmaceuticals satisfies its continuous disclosure obligations under the NZX Listing Rules and the ASX Listing Rules, and that the market has all relevant information required to make informed investment decisions and assessments of AFT Pharmaceuticals' prospects, in accordance with AFT Pharmaceuticals' Market Disclosure Policy;
- (k) ensuring that effective audit controls and systems are in place and are being adhered to;

- (l) overseeing the integrity of AFT Pharmaceuticals' accounting and corporate reporting systems, including the external audit;
- (m) ensuring that AFT Pharmaceuticals has in place an appropriate risk management framework (for managing financial and non-financial risks) and setting the risk appetite within which the Board expects management to operate;
- (n) satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board;
- (o) promoting and authorising ethical and responsible decision-making by AFT Pharmaceuticals;
- (p) ensuring that AFT Pharmaceuticals has appropriate corporate governance structures, practices and policies in place, including standards of ethical behaviour, and monitoring the effectiveness of those governance structures, practices and policies;
- (q) approving AFT Pharmaceuticals' remuneration frameworks and satisfying itself that such frameworks and associated policies are aligned with AFT Pharmaceuticals' purpose, values, strategic objectives and risk appetite;
- (r) requiring that the Board is and remains appropriately skilled to meet the changing needs of AFT Pharmaceuticals; and
- (s) attending to matters which cannot be delegated under law, particularly those matters set out in Schedule 2 to the Companies Act 1993.

### 3. **Board composition**

The Board will ensure it is of an effective composition, size and commitment to adequately discharge its responsibilities and duties in such a way that it:

- (a) has a proper understanding of, and competence to deal with, the current and emerging issues of AFT Pharmaceuticals;
- (b) exercises independent judgement;
- (c) encourages enhanced performance of AFT Pharmaceuticals; and
- (d) can effectively review and challenge the performance of management.

The composition of the Board must at any time be a minimum of three directors (other than alternate directors):

- (a) at least two of whom are ordinarily resident in New Zealand; and
- (b) while AFT Pharmaceuticals is listed on the NZX Main Board, it shall have not less than the minimum number of independent directors prescribed by the NZX Main Board Listing Rules.

The chairperson of the Board shall not be the Chief Executive Officer or the chairperson of the Audit and Risk Committee. The chairperson of the Board must be an independent director.

**Rotation**

- (a) All directors appointed by the Board by way of a casual vacancy are required to be elected by the shareholders at the first annual meeting after their appointment.
- (b) Subject to (a) above, a director must not hold office (without re-election) past the third annual meeting following the director's appointment or three years, whichever is longer.
- (c) There is no maximum term for which a person can remain a director, however, tenure will be considered as part of the Board's independence assessment of a director.

**Independence**

A director is considered to be independent if the Board affirmatively determines that the director is not an employee of AFT Pharmaceuticals and does not have a disqualifying relationship. The basis for determining whether a director has a disqualifying relationship is set out in the Appendix to this Board Charter.

Upon the initial appointment of a Director, AFT Pharmaceuticals must disclose to the market the Board's determination of that Director's independence no later than 10 business days after that appointment.

The Board will conduct an annual assessment of the independence of each of the directors, based on information provided to it by the directors, to determine whether each director is independent in character and judgement. Directors are also expected to provide updates to the information as changes occur or new interests arise that may affect the director's independence.

Membership of the Board shall be disclosed in the annual report including whether a director is independent. A change in a director's independence status will be disclosed to the market promptly and without delay.

AFT Pharmaceuticals must make the necessary arrangements requiring its directors to provide sufficient information to the Board in order for the Board to determine which of its directors are independent.

**Nominations to the Board**

The Board will review from time to time the composition of the Board and the whole Board, on the recommendation of the Remuneration and Nominations Committee, will have the opportunity to consider candidates for appointment to the Board. To be eligible for selection the candidates must demonstrate appropriate qualities and experience. Directors will be selected based on a range of factors including the perceived needs of the Board at the time.

**Induction**

The Board seeks to ensure that any new directors are appropriately introduced to management and the business, that all directors are acquainted with relevant industry knowledge and receive copies of appropriate company documents to enable them to perform their role.

#### 4. **Procedures**

##### ***Board meetings***

To enable appropriate review of Board materials directors shall receive materials no less than five days in advance of meetings for items to be acted upon, except in the case of special meetings for which the time period may be shorter due to the urgency of the matter under consideration.

It is intended that the Board meets at least eight times per year.

The Board encourages the Chief Executive Officer to bring employees to Board meetings who can provide additional insight into the items being discussed because of their involvement in those matters. All directors have access to employees to discuss issues or obtain further information on specific matters as they think appropriate.

It is intended that the Board will meet on occasion, as it considers appropriate, in session without management present.

##### ***Relationship between the chairperson and the Chief Executive Officer***

The Board supports the concept of the separation of the role of chairperson from that of the Chief Executive Officer. The chairperson's role is to manage the Board effectively, to provide leadership to the Board, and to interface with AFT Pharmaceuticals' Chief Executive Officer.

##### ***Remuneration of Non-executive Directors***

Non-executive directors' remuneration will be transparent, fair, and reasonable and paid in the form of directors' fees. The Board may determine that additional allowances be paid to a non-executive director, as appropriate, to reflect additional services provided to AFT Pharmaceuticals by that director. The total remuneration available to be paid to directors (in their capacity as directors) is subject to shareholder approval.

No retirement allowances are payable to directors.

Directors are entitled to reimbursement of all reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings, or otherwise in connection with AFT Pharmaceuticals' business.

##### ***Remuneration of Executive Directors***

Executive director remuneration is paid in the form of a salary and executive directors may also be entitled to participate in any AFT Pharmaceuticals incentive schemes (as described in AFT Pharmaceuticals' Remuneration Policy), subject to any necessary shareholder approval requirements.

##### ***Disclosure and Conflicts of Interest***

Directors should avoid placing themselves in a position, entering into any arrangement or participating in any activity that may give rise to, or lead to a reasonable perception of, an actual or potential conflict of interest or duty.

Directors must disclose to the Board any actual or potential conflicts of interest or duty, or any matter or interest that may affect the director's independence, as soon as they become aware of that matter or interest. Directors must ensure that any and all interests are also recorded in AFT Pharmaceuticals' interest register.

Where conflicts of interest arise, directors must ensure that the nature of the conflict is adequately disclosed and excuse themselves from discussions in respect of the relevant matter. Such directors are not counted in the quorum and may not vote in respect of such matters, unless it is one in respect of which directors are expressly required by the Companies Act 1993 to sign a certificate or related to the grant of an indemnity under section 162 of that Act.

### ***Trading in AFT Pharmaceuticals' shares***

All non-executive directors are encouraged to hold AFT Pharmaceuticals' shares.

Directors are subject to limitations on their ability to buy and sell AFT Pharmaceuticals' shares by AFT Pharmaceuticals' Securities Trading Policy and the Financial Markets Conduct Act 2013. All trading is subject to prior approval of the chairperson (or in the chairperson's case by the chairperson of the Audit and Risk Committee).

### ***Risk management and reporting***

The Board is responsible for:

- (a) identifying the principal risks of AFT Pharmaceuticals' business;
- (b) reviewing and ratifying AFT Pharmaceuticals' systems of internal compliance and control, risk management and legal compliance, to determine the integrity and effectiveness of those systems; and
- (c) approving and monitoring internal and external financial and other reporting, including reporting to shareholders, NZX, the ASX and other stakeholders.

### ***Board Committees***

The Board has established the Audit and Risk Committee, Remuneration and Nominations Committee and the Regulatory and Product Development Oversight Committee and may, from time to time, establish other committees to assist it in carrying out its responsibilities (the **Committees**).

The Board shall adopt a charter setting out the membership, authority, duties, responsibilities and reporting obligations of these Committees and will be responsible for evaluating the performance or establishing a method for evaluating the performance of each of the Committees.

### ***Company Secretary***

The company secretary of AFT Pharmaceuticals, who may also be the Chief Financial Officer, is directly accountable to the Board through the Chair on all matters to do with the proper functioning of the Board.

## **5. Power and authority**

### ***Delegation of authority to the Chief Executive Officer***

The formulation and implementation of policies and reporting procedures for management has been delegated to the Chief Executive Officer. The Board's delegation of the conduct of the day to day affairs of AFT Pharmaceuticals to the Chief Executive Officer is made within these terms. The Board monitors those delegations.

***Independent advice***

An individual director may retain and consult with external advisers (including legal) at AFT Pharmaceuticals' expense where the director deems it necessary to carry out his or her functions, with the approval of the chairperson of the Board.

Non-executive directors are not employees of AFT Pharmaceuticals. Non-executive directors are entitled to rely on AFT Pharmaceuticals' executives, in relation to matters within their responsibility and area of expertise and may assume the accuracy of information provided by such persons, so long as the director is not aware of any reasonable grounds upon which such reliance or assumption may be inappropriate.

The Board may rely upon information provided by Committees and their members in relation to matters within that Committee's delegated responsibility, provided that it has evaluated the information and is not aware of any reasonable basis upon which to question its accuracy.

**6. Evaluation of Board performance**

The chairperson meets regularly with directors to discuss and assess individual performance of the directors. The Board reviews and assesses its performance as a whole on an annual basis.

**7. Information**

Management should provide information of sufficient content, quality and timeliness to the Board to enable it to effectively discharge its duties.

**8. Charter review**

The Board will review this Charter at least annually.

Last updated: February 2022

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## **Appendix – Director Independence**

A director can only be considered independent if he or she is not an employee of AFT Pharmaceuticals and has no disqualifying relationship with AFT Pharmaceuticals.

### ***Disqualifying Relationship***

In determining whether a disqualifying relationship exists, the Board will have regards to any direct or indirect interest, position, association or relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, the director's capacity to:

- Bring an independent view to decisions in relation to AFT Pharmaceuticals;
- Act in the best interests of the AFT Pharmaceuticals; and
- Represent the interests of AFT Pharmaceuticals' financial product holders generally,

having regard to the factors set out below that may impact director independence.

### ***Factors to be considered when assessing independence***

Factors that may impact a director's independence include:

- being currently, or within the last three years, employed in an executive role by AFT Pharmaceuticals or any of its subsidiaries, and there has not been a period of at least three years between ceasing such employment and serving on the board;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, AFT Pharmaceuticals;
- currently, or within the last 12 months, holding a senior role in a provider of material professional services to AFT Pharmaceuticals or any of its subsidiaries;
- a current, or within the last three years, material business relationship (e.g. as a supplier or customer) with AFT Pharmaceuticals or any of its subsidiaries;
- a substantial product holder of AFT Pharmaceuticals, or a senior manager of, or person otherwise associated with, a substantial product holder of AFT Pharmaceuticals;
- a current, or within the last three years, material contractual relationship with AFT Pharmaceuticals or any of its subsidiaries, other than as a director;
- having close family ties with anyone in the categories listed above;
- having been a director of the entity for a length of time that may compromise independence.

In each case, the materiality of the interest, position, association or relationship needs to be assessed.