



## **BOARD CHARTER**

## **1. PURPOSE OF THE CHARTER**

- 1.1 This Board Charter (the Charter) sets out the role, composition and responsibilities of the Board of Directors (the Board) of Capital Limited (the Company) within the governance structure of the Company and its subsidiaries (the Group).
- 1.2 The conduct of the Board is also governed by the Company's Code of Conduct Policy and Articles of Association of the Company (the Constitution).
- 1.3 The Charter has been updated to take account of the UK Corporate Governance Code (the Code) published in July 2018 and the Guidance on Board Effectiveness issued by the Financial Reporting Council. The Charter was adopted by the Board on 28 November 2018.

## **2. MEMBERSHIP, TERM AND COMMITMENT**

- 2.1 The Board's overall role is to promote the long-term sustainable success of the Company, generating value for shareholders. The Board shall establish the Company's objectives, strategy and values. The Board will endeavour to ensure there are sufficient resources available to meet its objectives and measure performance against them. The Board will aim to ensure its workforce policies and practices are aligned with the Company's values and support the Company's long-term sustainable success. The Board will establish a framework of prudent and effective controls to assess and manage risk. The Board will also aim to engage effectively with its shareholders and encourage their participation.
- 2.2 The Board shall have a balance of Executive and Non-Executive Directors. At least half of the Board members (not taking into account the Chairman) shall be Independent Non-Executive Directors, who have the appropriate skills, experience, independence and knowledge of the Company to enable them to discharge their duties and responsibilities effectively.
- 2.3 The Board shall identify in the annual report each Non-Executive Director it considers to be independent. The Board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board shall state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the Director:
  - A) has been an employee of the Company or group within the last five years;
  - B) has, or has had within the last three years, a material business relationship with the Company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company;
  - C) has received or receives additional remuneration from the Company apart from a Director's fee, participates in the Company's share option or a performance related pay scheme, or is a member of the Company's pension scheme;
  - D) has close family ties with any of the Company's advisers, Directors or senior employees;

- E) holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
  - F) represents a significant shareholder; or,
  - G) has served on the Board for more than nine years from the date of their first election.
- 2.4 The Board will appoint one of its independent Non-Executive Directors to be the senior independent director to provide a sounding board for the Chairman and serve as an intermediary for the other Directors and for shareholders.
- 2.5 Directors are subject to re-election at the first Annual General Meeting (AGM) following their initial appointment if not initially appointed by a vote of shareholders at an AGM. Thereafter, each Director's appointment shall be subject to annual re-election at the AGM. The names of Directors submitted for re-election shall be accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election. The Board shall set out why they believe an individual should be elected. The Chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and demonstrates commitment to the role.
- 2.6 All Directors, whether independent or not, should have a proper understanding of, and competence to deal with, the current and emerging issues of the business and bring an independent judgment to bear on Board decisions.
- 2.7 The Board members shall be committed to encourage enhanced performance of the Company and effectively review and challenge the performance of management.
- 2.8 Membership of the Board shall be disclosed in the Company's annual report (the Annual Report), including whether a Director is independent or not independent. Non-Executive Directors are judged by the Board to be independent of judgement and character and free of material relationships with the Company and any other entities and people that might influence or would be perceived by shareholders to influence such judgement in accordance with the Company's Directors' Test of Independence Policy.
- 2.9 The Board should meet sufficiently regularly to discharge its duties effectively. The Board generally has at least four regularly scheduled meetings in each financial year and details of the attendance by the members of the Board and Committees shall be included in the Annual Report. The Non-Executive Directors shall meet from time to time without the Executive Directors present in order to review the performance of senior management.
- 2.10 All new members of the Board are to be provided with a formal letter of appointment setting out the key terms and conditions of their appointment and the Company shall arrange appropriate insurance cover in respect of legal action against its Directors.
- 2.11 All Board members must inform the Board before accepting any other directorships.
- 2.12 All Directors must act in what they consider to be the best interests of the Company and consistent with their fiduciary and common law duties as well as their statutory duties, in accordance with the Bermudan Companies Act, 1981, as amended (the Law). Such provisions

in the Law include (but are not limited to), the requirement for all directors, in exercising their power and discharging their duties to:

- A) act honestly and in good faith with a view to the best interests of the Company; and,
- B) exercise the care, diligence and skill that a reasonable prudent person would exercise in comparable circumstances.

### **3. MATTERS RESERVED FOR THE BOARD**

- 3.1 The role of the Board is to provide leadership to the Group and set the Group's values and standards to ensure that its obligations to its shareholders are met and the Group complies with both regulatory and governance requirements.
- 3.2 The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. In carrying out its responsibilities, the Board undertakes to serve the interests of shareholders, employees, and the broader community honestly, fairly, diligently and in accordance with applicable laws.
- 3.3 The following are matters which are specifically reserved for the Board (both directly and, where appropriate, through Board committees) and they constitute the key responsibilities of the Board, namely to:

- A) Board Membership and other Appointments:

- i. Upon the recommendation of the Nomination Committee, the Board consider, and, if thought fit, approve:
  - 01.3 Any changes to the structure, size and composition of the Board;
  - 02.3 The selection, appointment or removal of the:
    - (aa) Chairman;
    - (bb) Chief Executive Officer;
    - (cc) Executive Directors (and other senior management roles);
    - (dd) Non-Executive Directors;
    - (ee) Senior Independent Director;
    - (ff) Company Secretary;
    - (gg) General Counsel; and/or
    - (hh) Membership and Chairmanship of the Board committees.
- ii. Approve any Director's continuation in office at the end of their term of office and approve any recommendations to shareholders for the election or re-election of any Director;
- iii. Consider the continuation in office of any Director at any time, including the suspension or termination of service of an executive Director as an employee of the Company, subject to the governing law of their service contract;
- iv. Approve the appointment, reappointment, remuneration or removal of the Company's external auditor to be put to shareholders for approval at a general meeting, following the recommendation of the Audit and Risk Committee;

- v. Approve the appointment, reappointment or removal of the Company's key advisors, including public relations, legal counsel and bankers; and,
- vi. Ensure adequate succession planning for the Board and senior management to maintain an appropriate balance of skills and experience within the Group and on the Board (endeavouring to develop a diverse pipeline for succession at both Board and senior management levels).

**B) Strategy and Management:**

- i. Develop, review and monitor the Company's long term and sustainable business strategies and provide strategic direction to management and ensure that the necessary financial and human resources are in place to meet the Group's objectives;
- ii. Set the Group's values and standards and ensure that its obligations to its shareholders and other relevant stakeholders are understood and met;
- iii. Monitor the Group's culture so as to ensure policies, practices and behaviours remain aligned with the Company's objectives, values and strategies;
- iv. Approve and monitor changes to the Group's management and control structure;
- v. Determine the nature and extent of the significant risks and in maintaining a sound risk management and internal control system, conduct a review of the effectiveness of the Group's risk management and internal control system including all material controls, financial, operational and compliance controls;
- vi. Approve and monitor operating budgets, including the approval of any significant unbudgeted operating expenditure;
- vii. Approve and monitor capital expenditure budgets, major capital commitments, capital management, acquisitions and divestitures including the approval of any significant unbudgeted capital expenditure (Unbudgeted material capital expenditure in excess of 10% over budget (excluding non-discretionary cost over-runs));
- viii. Extend the Group's activities into new business or geographic areas and any decision to cease to operate all or any material part of the Group's business; and
- ix. Approval of insurance management strategy.

**C) Financial Reporting and Controls:**

- i. Approve the half-yearly and Annual Report and accounts, reporting on whether the business is a going concern with supporting assumptions or qualifications as necessary, providing the relevant authority to the Audit and Risk Committee, as set out in the Audit and Risk Committee Charter;
- ii. Consider and state in the Annual Report and accounts whether, taken as a whole, the Annual Report and accounts are fair, balanced and understandable and provide the information

necessary for shareholders to assess the Group's performance, business model and strategy, including a statement explaining the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objectives of the Company;

- iii. Assess and monitor the Company's risk management and internal control systems to ensure their effectiveness; and,
- iv. Approve any significant changes in accounting policies or practices as suggested by the Audit and Risk Committee.

D) Structure and Capital:

- i. Approve and monitor changes to the Company's listing or its status as a publicly listed company;
- ii. Approve the dividend policy, declaration of the interim or final dividend;
- iii. Approve and monitor major changes to the Group's corporate structure, including acquisitions and disposals of shares (which are material to the size of the Group), changes relating to the Group's capital structure (including reduction in capital), share issues (except under approved employee share plans) and share buy backs;
- iv. Approve and monitor material debt and financing arrangements, guarantees and other securities; and,
- v. Approve the treasury policy and hedging strategy.

E) Contracts:

- i. Approve major capital projects (to include oversight of the delivery and execution); and,
- ii. Approve material contracts not in the ordinary course of business including (but not limited to):
  - 1. a major investment in the acquisition or disposal of interests of more than (3) percent in the voting shares of any company or the making of any takeover offer;
  - 2. acquisition and disposal of mineral assets or companies;
  - 3. farm-ins and farm-outs; and,
  - 4. asset swaps.

F) Stakeholder Communication:

- i. Ensure that members of the Board develop an understanding of the views of major shareholders about the Group, stating in the Annual Report the steps that have been taken to ensure satisfactory dialogue with the major shareholders and encouraging shareholder participation at the AGM and generally;
- ii. Approve resolutions to be put forward to shareholders at general meetings;

- iii. Approve prospectuses and listing particulars and any press releases concerning matters decided by the Board other than routine disclosures required by regulatory authorities (institutional share-ownership thresholds, insider filings etc.); and
- iv. Understand the views of the Company's stakeholders, including the Group's workforce, and put in place mechanisms through which engagement with the workforce can be encouraged and fostered.

G) Corporate Governance:

- i. Undertake a formal and rigorous annual evaluation of the performance of its Committees and Directors, stating in the Annual Report how performance evaluation has been conducted;
- ii. Establish and maintain corporate governance standards;
- iii. Monitor compliance with legal, regulatory requirements (including continuous disclosure) and ethical standards;
- iv. Request and receive reports on the views of shareholders to ensure that they are communicated to the Board as a whole;
- v. Authorise conflicts of interest, where permitted by the Company's Articles of Association;
- vi. Lead by example to establish a culture within the Company which strives for and rewards best practice in all areas of the business;
- vii. Monitor whether the Board is appropriately skilled to meet the changing needs of the Company. The entire Board (subject to shareholders' voting rights in general meeting) is responsible for selection of Directors, with assistance from the Nomination Committee, and seeks to ensure that a candidate's experience and competence can assist the Company in meeting its corporate objectives and plans;
- viii. Ensure that appropriate resources are available to senior executives;
- ix. Review and approve the Company's Directors' and Officers' Insurance policies;
- x. Review, ratify and monitor the Company's Code of Conduct;
- xi. Review and approve the initiation of litigation or the settlement thereof; and,
- xii. Review and approve any political donations.

H) Remuneration:

- i. Upon the recommendation and/or consultation with the Remuneration Committee (and, if appointed, external remuneration consultants) the Board shall consider and if thought fit approve:
  - 1. Remuneration policies and related performance metrics;
  - 2. The introduction or material changes to employee share plans or bonus plans;

3. The approval of any significant changes to the structure of remuneration for senior management; and,
4. The remuneration of the non-executive Directors, subject to the Articles of Association and shareholder approval as may be appropriate.

I) Delegation of Authority:

All matters which the Board considers suitable for delegation are contained in the terms of reference of its committees and the board shall:

- i. approve the scope and extent of the role of and delegations to the Chairman, Senior Independent Director and Chief Executive Officer (such role and responsibility as set out below);
- ii. establish the Board committees and approve their terms of reference, approving any material changes thereto; and,
- iii. request and receive updates from the Board committees on their activities and/or reports and recommendations from time to time on any matter which the Board considers significant to the Group.

J) Policies:

Approve material changes to Group policies, including but not limited to the Board and Committee Charters.

#### **4. CHAIRMAN**

- 4.1 One of the Directors shall be designated by the Board as Chairman. The Chairman should be a Non-Executive Director. Unless there are valid reasons, the Chairman should not remain in post beyond nine years from the date of first appointment to the Board.
- 4.2 The role of the Chairman is to lead the Board, ensuring its effectiveness on all aspects of its role.
- 4.3 The Chairman is responsible for:
  - A) setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
  - B) ensuring that the Directors receive accurate, timely and clear information;
  - C) promoting a culture of openness and debate by facilitating the effective contribution of Non-Executive directors in particular and ensuring constructive relations between Executive and Non-Executive Directors;
  - D) ensuring that the Directors continually update their skills, knowledge and familiarity with the Company required to fulfil their role both on the Board and on Board Committees;

- E) ensuring that new Directors receive a full, formal and tailored induction on joining the Board. The letter of appointment should set out the Director's expected time commitment;
- F) reviewing regularly the training and development needs of each Director;
- G) facilitating the effective contribution of all Directors at Board meetings and promoting a culture of openness and debate by facilitating the effective contribution by all members of the Board;
- H) meeting with the Non-Executive Directors without the Executive directors present; and,
- I) ensuring effective communication with Shareholders.

## **5. CHIEF EXECUTIVE OFFICER**

5.1 The role of the Chief Executive Officer is to manage the Group's business on a day-to-day basis, subject to the Matters Reserved for the Board and the matters assigned to the Board Committees and also to assist the Board in carrying out its role.

5.2 The Chief Executive Officer is responsible for:

- A) the development (in conjunction with the Board) and implementation of short, medium and long-term corporate strategies for the Group, preparing business plans and reports with senior management and reporting/presenting to the Board on current and future initiatives;
- B) managing a team of executives responsible for all functions contributing to the success of the Group;
- C) ensuring that the Group has the appropriate risk management practices and policies in place;
- D) the efficient and effective operation of the Group;
- E) the assessment of business opportunities which are of potential benefit to the Group;
- F) bringing material and other relevant matters to the attention of the Board in an accurate and timely manner;
- G) reporting regularly to the Board with timely and accurate information to allow the Board to discharge their responsibilities effectively;
- H) ensuring that the views of Shareholders are communicated to the Board as a whole, and that governance and strategy issues are discussed with major Shareholders;
- I) representing the Group to external Shareholders, key suppliers and regulatory and governmental authorities and communities;
- J) ensuring contact with the principal Shareholders in respect to the Company's remuneration policy; and,

K) promoting constructive and respectful relations between Directors, and between the Board and management.

5.3 The Chief Executive Officer shall disclose to the Board any significant commitments outside the Group and this information and its impact will be included in each Annual Report.

5.4 The Chief Executive Officer shall at all times have access to the Company Secretary, General Counsel and External Auditor.

## **6. SENIOR INDEPENDENT DIRECTOR**

6.1 One of the Directors shall be designated by the Board as Senior Independent Director. The Senior Independent Director should be a Non-Executive Director who is determined by the Board to be independent, as per the definition of independence set out in section 2.3 above.

6.2 The Senior Independent Director shall also:

A) assist the Board in carrying out its responsibilities;

B) provide a sounding board for the Chairman and Chief Executive Officer;

C) serve as an intermediary for the other Executive Directors, when necessary; and,

D) lead a meeting of the Non-Executive Directors without the Chairman present, at least annually to appraise the Chairman's performance.

6.3 The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or other Executive Directors has failed to resolve or for which such contact is inappropriate.

## **7. NON-EXECUTIVE DIRECTORS**

7.1 All Non-Executive Directors are encouraged to:

A) regularly update and refresh their skills, knowledge and familiarity with the Company;

B) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice; and,

C) where they have concerns about the running of the Company or a proposed action, ensure that these are addressed by the Board, to the extent that they are not resolved, ensure that they are recorded in the Board minutes. On resignation, a Non-Executive Director should provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns.

7.2 It is up to each Non-Executive Director to reach a view as to what is necessary in particular circumstances to comply with the duty of care, skill and diligence they owe as a Director to the Company.

- 7.3 Non-Executive Directors are invited to attend meetings with major shareholders when requested.
- 7.4 The Annual Report must identify each Non-Executive Director considered independent, along with reasons for the existence of any relationships or circumstances which may appear to impede their independence.
- 7.5 Led by the Senior Independent Director, the Non-Executive Directors shall meet once a year without the Chairman present to appraise the Chairman's performance.

## **8. BOARD COMMITTEES**

- 8.1 To assist it in carrying out its responsibilities, and in accordance with its Constitution, the Board has established the following five standing committees. They are:
  - A) Audit and Risk Committee;
  - B) Nomination Committee;
  - C) Remuneration Committee; and,
  - D) Health, Safety, Social & Environmental Committee.
- 8.2 The responsibilities of the Committees are laid out in their respective charters.
- 8.3 Each Board committee shall undertake an internal review of its own performance, having regard to the principles and requirements of its charter and its overall objectives, reporting back to the Board with the results of its performance review and any recommended changes to its charter.

## **9. INDEPENDENT ADVICE**

- 9.1 Directors have the right to seek independent professional advice in the furtherance of their service as Directors, at the Company's expense. Written approval must be obtained from the Chief Executive Officer prior to incurring expense on behalf of the Company.

## **10. BOARD OF DIRECTORS – CODE OF CONDUCT**

- 10.1 A Director must act honestly, in good faith and in the best interest of the Company as a whole.
- 10.2 A Director has to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- 10.3 A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.

- 10.4 A Director must recognise that his primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.
- 10.5 A Director must not make improper use of information acquired as a Director.
- 10.6 A Director must not take improper advantage of the position of Director.
- 10.7 A Director must not allow personal interests, or the interest of any associated person, to conflict with the interests of the Company.
- 10.8 A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of Directors.
- 10.9 Confidential information received by a Director in the course of the exercise of their duties as a Director of the Company remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- 10.10 A Director should not engage in conduct likely to bring discredit upon the Company.
- 10.11 A Director has an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this Code of Conduct.

## **11. SECRETARY**

- 11.1 The Company Secretary will be the Secretary of the Board.
- 11.2 Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows between members of the Board and the Board Committees, and between senior management and Non-Executive Directors, as well as facilitating the induction of new Directors and assisting with each Director's professional development, as required.
- 11.3 The Company Secretary should be responsible for advising the Board through the Chairman on all governance matters.
- 11.4 All Directors have access to the advice and services of the Company Secretary.
- 11.5 The Company Secretary is responsible for monitoring the Board's policies, ensuring procedures are followed, and co-ordinating the timely completion and despatch of the Board agenda and briefing materials.
- 11.6 The Board shall maintain written minutes or other records of its meetings and activities. Minutes of each meeting of the Board shall be distributed to each member of the Board. The Secretary of the Company shall retain the original signed minutes for filing with the corporate records of the Company.

## **12. REPORTING**

- 12.1 Proceedings of all meetings are minuted and signed by the chairman of the meeting.
- 12.2 Minutes of all Board meetings are circulated to directors and approved by the Board at the subsequent meeting.

## **13. REVIEW OF CHARTER**

- 13.1 The Board will review this Charter annually to ensure it remains consistent with the Board's objectives and responsibilities.

## **14. AMENDMENT OF THIS CHARTER**

- 14.1 This Charter has been adopted by the Board. Any amendment to this Charter can only be approved by the Board.
- 14.2 The Company Secretary in conjunction with the General Counsel is responsible for reviewing this Charter on an annual basis to ensure its continued compliance with legal and corporate governance requirements applicable to companies listed on any stock exchange on which the Company is listed and, if necessary, suggesting amendments to the Charter for consideration by the Board.

## **15. PUBLICATION OF THE CHARTER**

- 15.1 Key features of this Charter are to be outlined in the Annual Report.
- 15.2 A copy of this Charter is to be made available on the Company's website ([www.capdrill.com](http://www.capdrill.com)).
- 15.3 This Charter will be made available to the Company's shareholders upon request.