

# **Bacanora Lithium Plc**

## **Board Charter and Reserved Matters**

### **1 Purpose**

The Board's primary responsibility is to promote the success of the Company, generate value for shareholders, whilst acting in the best interest for the Company's other stakeholders. The Board is accountable to all stakeholders for the conduct of the Board, Management and the Company.

### **2 Scope**

This Charter sets out the role and responsibility of the Board and the manner in which it will exercise and discharge these duties. The role of the Board is to determine the strategic direction of the Company, regularly review the appropriateness of it and oversee its implementation. It is not the role of the Board to manage the Company itself but rather to monitor the management and performance of the business. It does this in the following areas:

- Board Composition and Organisation
- Strategy, Financial and Operational Matters
- Financial expenditure
- Shareholder engagement and communications
- Governance and general Sustainability (ESG) matters
- Designated positions of responsibility. The roles of Management are covered in relation to their interaction with the Board rather than their day to day operational tasks.

### **3 Roles and Responsibilities**

The matters reserved specifically for the Board are detailed in the attached Appendix. Irrespective of whether the Board has delegated the review of any of the following areas to its Committees, the Board shall retain the responsibility for the following:

#### **3.1 Board Composition and Organisation**

##### ***Board Composition***

- Under the company's Articles, there shall be a maximum of 10 Directors at any one time. Approximately one third of the Directors shall stand for re-election at each AGM. Any Director appointed by the Board shall stand for re-election at the next AGM following their appointment.
- The Board's long-term goal is to have a majority of Directors being independent, but shall have a minimum of two independent Directors at any one time.
- The Board shall determine a Director's independence after considering discussions with the Nomad and guidance provided by the Quoted Companies Alliance (QCA).
- The Chairman shall be appointed by the Board for a Three (3) year revolving term.

##### ***Board Organisation***

The Board has delegated certain responsibilities to the following Board committees and their specific roles and responsibilities are laid out in each of their own terms of reference:

- Audit Committee - oversees financial and narrative reporting, provides assurance on the effectiveness of internal controls and risk management, and reviews the effectiveness of external auditors
- Remuneration Committee – oversees remuneration policies for Executive management and the Board; recommends short and long term performance objectives and annual awards
- Corporate Governance Sustainability Committee

### ***Board Nominations***

- For the time being, nominations to the Board shall not be delegated to a separate sub-committee. This decision shall be reviewed on an annual basis dependent on latest QCA and AIM guidance, or in the event the company moves to the Main Board.
- As part of the annual review of the Board's performance following the company's AGM, the Board as a whole shall consider the structure and size of the Board. The Board shall identify the requirements for any future Director appointments, considering any specific operational skillsets and any wider ethnic and gender diversity requirements.
- If following this annual review or in the event of a Director resignation during the year, the Board considers that there needs to be a new Director appointment. Then the Board shall use its contacts or use an external agency, as it sees fit, to assemble a shortlist of at least 3 candidates based on the criteria identified above. The Board shall make a final decision based on that shortlist..

### ***Other matters***

The Board is reasonably entitled to seek outside advice, with or without Management's approval, in the exercise of its duties, and at the Company's expense.

## **3.2 Strategy, Financial and Operational Matters**

### ***Strategy***

- Working with management to develop a strategic plan for the Company, including general and specific goals, and reviewing that plan on a regular basis;
- Assessing whether the Company is sufficiently resourced to achieve its goals.
- Regularly overseeing performance to confirm that it is aligned with the plan.
- Monitoring and assessing the external environment.
- Focusing the Company's activities on the delivery of acceptable returns to shareholders, whilst considering the wider needs of other stakeholders

### ***Financial***

- Adopting an annual budget for the financial performance of the Company and monitoring results on a regular basis.
- Confirming that the Company's financial position is sound and that it is able to meet its debts and other obligations as they fall due.
- Overseeing the integrity of the entity's accounting and corporate reporting systems.
- Determining that the company accounts are in conformity with relevant Accounting Standards and providing shareholders with a truthful and factual presentation of the Company's financial position.
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions, divestitures and joint ventures.
- Approving dividend policy and dividends and decisions affecting capital structure.
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs and assets including the estimates of mineral resources and ore reserves, and that the scope of the external audit is adequate.
- Assessing the performance and independence of the auditors and, where necessary, making recommendations to shareholders for the appointment or removal of an auditor.

### ***Operational***

- Approving an annual operational plan and monitoring results against that plan on a regular basis.
- Determining that the Company has in place accurate and reliable reporting systems, internal controls and compliance activities, and monitoring performance in each of these areas.

### **3.3 Shareholder engagement and communications**

- Ensuring that the Company has in place a policy that enables it to communicate effectively with its shareholders and stakeholders.
- Overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

### **3.4 Governance**

- Selecting and, if necessary, replacing the Chairman and agreeing, if appropriate, for that role to be an Executive position.
- Selecting and, if necessary, replacing the CEO and setting an appropriate remuneration package and ensuring adequate succession for that position.
- Approving the appointment and/or the removal of the CFO and the Company Secretary, and giving guidance on other senior management appointments proposed by the CEO and succession plans.
- approve compensation plans for the Executive Team, including salary and incentives;
- monitor and annually review the Executive team's performance against agreed upon objectives;
- Approving policies and practices and measurable objectives for achieving diversity.
- Monitoring and assessing the Company's Sustainability culture, policies and management framework;
- Checking that compliance with policies and procedures is properly monitored.
- Confirming that systems are in place which facilitate the effective identification, management and mitigation of any significant financial and non-financial risks to which the Company is exposed.
- Adopting clearly defined delegations of authority from the Board to the CEO or Committees.
- Adopting formal processes for the selection of new Directors;
- Confirming that Directors are properly inducted and that all Directors are provided with on-going access to the Company's operations, personnel and information to enable them to operate effectively.
- Reviewing the Board's own processes and effectiveness including its committee structure and the composition, scope and performance of those committees.
- Determining that the Company's governance policies and practices are appropriate and provide for renewal of the Board, maintenance of Directors' independence and alignment with interests of shareholders and monitoring the effectiveness of them.
- Establishing and maintaining an appropriate structure of Board committees, formally constituted and adequately resourced, to enhance the Board's capacity to fulfil its responsibilities.
- Satisfying itself that appropriate processes exist for relevant information to be reported by management to the Board and challenging management and holding it to account whenever required.

## **4 Designated positions of responsibility.**

### ***Chairman***

- Leads the Board and sets the tone and agenda, promoting a culture of teamwork, openness and debate, ensuring that material matters have proper and timely Board understanding, consideration, oversight and approval;
- Ensure the Board is organized properly, functions effectively, that Directors receive accurate, timely and clear information, and meets its obligations and responsibilities to consider relevant issues;
- Ensures that that the appropriate committees are set up and that they are functioning and reporting to the Board;

- Ensures that the Board is able to function independently of management.
- Acts as the conduit between management and other Directors, act as a sounding board, adviser and confidant for the CEO, including helping to review plans, define issues, build relationships, and otherwise support the CEO.
- Lead the Board in monitoring and evaluating the performance of the CEO.
- Ensures that the other Non-Executive Directors are contributing and holds regular meetings of independent Directors without management present.
- Ensures effective communication with Shareholders, acting as the primary spokesperson for the Board and liaising directly with major shareholders
- Leads the annual review of Board performance and implements any required changes, after discussion with the Lead independent Director
- Leads the consideration of any changes to the Board and the Committees

#### ***Duties and Responsibilities – Executive Chairman***

- From time to time, the Board may determine that the role of Chairman requires a specific skillset and additional time to be dedicated by the Chairman to assist the CEO with certain Executive functions. These additional Executive functions shall be for a specific period of time and should not be for more than two years in duration;
- The Chairman shall continue to execute the basic functions of the position and in the event of an inherent conflict of interest between the roles, the Lead Independent Director shall represent the Board in relation to Management.

#### ***Chief Executive Officer***

- Runs the Company and is in direct charge of the Group on a day to day basis, including managing the Senior Executive team
- Accountable to the Chairman and Board for the Group's performance relative to the annual Operating Plan
- Responsible for implementing the Company's strategy, including driving performance and optimising the Group's resources
- Primary responsibility for managing the Group's risk profile, identifying and executing new business opportunities, and management development and remuneration
- represent the Company with existing and prospective shareholders, debt providers, customers and suppliers
- represent the Company with all major external audiences such as the media, regulators, governments, local communities and other stakeholders

#### ***Chief Financial Officer***

- manage the financial matters of the Company and has day-to-day responsibility for Finance, Budgeting, Tax and Treasury
- reporting of Financial Performance to the Board and to shareholders
- Accountable to the Board for the Group's financial performance
- Responsible for raising the finance required to fund the Group's strategy, servicing the Group's financing and maintaining compliance with its covenants
- Maintains a robust risk and internal control environment

***Lead Independent Director***

- Provide a sounding board for the Chairman and serve as an intermediary for other Directors when necessary
- Available to shareholders if they have concerns which contact through the normal channels (chairman, CEO or CFO) has failed to resolve or for which such contact is inappropriate
- Ensures that the Board is aware of any Shareholder concerns, when they become aware
- Lead the oversight, and monitor the performance of the Chairman and meet with the independent directors once a year to formally appraise his performance.
- Independently lead the succession process for the appointment of the Chairman.
- If the Company has an Executive Chairman, involved in the annual review of board effectiveness and ensuring that the performance of individual directors is kept under review
- In the event that the Board is under stress and Governance issues are arising, the LID shall work with the Chairman, Management and major shareholders to resolve issues.

***Company Secretary***

- prepare the Agenda for Board meetings, in consultation with the Chairman and CEO, and organize the Board meetings;
- Take and maintain minutes of Board meetings and manage resolutions;
- Maintain the Group's Statutory Books, Share Registers and Incentive Plans;
- Keep documentary records supporting matters formally approved by the Board;
- Advise the Board and the Committees, through the Chairman, on all governance matters and changes to relevant legislative and regulatory environment;
- facilitate the appointment and induction of new Directors
- organize the Annual General Meeting, including the issuance of all circulars and distributions to shareholders.
- All Directors have access to the Company Secretary's advice and service

***Non-Executive Directors***

- Constructively challenge and help develop proposals on strategy
- Scrutinise the performance of the Executive Management Team in meeting agreed goals and objectives
- Monitor the reporting of performance
- Satisfy themselves on the integrity of financial information
- Ensure that financial controls and systems of risk management are robust and defensible
- Determine appropriate levels of remuneration for the Executive Directors
- Play a primary role in succession planning and appointing and, where necessary, removing Executive Directors

**5 Legal and Statutory Obligations of Directors**

All Directors are required to sign an Appointment letter that sets out the full terms of their appointment under the Articles of the Company and the relevant laws in the UK, including their obligations under the AIM Rules. All Directors have fundamental legal duties under s171-177 of the UK Companies Act, which are:

- 171 - Duty to act within powers
- 172 - Duty to promote the success of the company
- 173 - Duty to exercise independent judgment
- 174 - Duty to exercise reasonable care, skill and diligence
- 175 - Duty to avoid conflicts of interest

- 176 - Duty not to accept benefits from third parties
- 177 - Duty to declare interest in proposed transaction or arrangement

If a Director is a nominee or a representative of a particular shareholder, in relation to the Company's affairs, the Director's primary fiduciary responsibility is to the Company and its shareholders. This remains the case even if this conflicts with the interests of the shareholder the Director represents.

All directors are considered a Person Discharging Management Responsibilities ("PDMR") under UK Market Abuse Regime ("MAR") legislation and are subject to the Company's Share Dealing and Disclosure Policies.

All Directors are subject to various regulatory frameworks law in the UK, including the Theft Act 1968, the Fraud Act 2006, the Bribery Act 2010, the Insolvency Act, the Health and Safety at Work Act 1974 and the Corporate Manslaughter and Corporate Homicide Act 2007.

## **6 Meetings**

The Board shall meet at least four times a year. The Chairman shall prepare and/or approve an agenda in advance of each meeting;

## **7 Notice of Meetings**

Meetings of the Board shall be called by the Company Secretary at the request of the Chairman.

Unless otherwise agreed by consent of all members in writing, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Board, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Board members and to other attendees as appropriate, at the same time.

## **8 Quorum and majority**

The quorum necessary for the transaction of business shall be any two (2) members. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Board. Members may participate in a meeting of the Board by means of conference telephone or other communication equipment.

Any matter to be determined by the Board shall be decided by a majority of the votes cast at a meeting of the Board called for such purpose. Any action of the Board may also be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterparts) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Board called for such purpose.

Written resolutions proposed outside of Board meetings may be approved by Directors electronically under s122 of the Company's Articles and require a majority of Directors to approve.

## **9 Minutes of Meetings**

The Company Secretary shall minute the proceedings and resolutions of all meetings of the Board, including recording the names of those present and in attendance. In the event that the Company Secretary is unavailable, the Chairman shall appoint an alternate secretary for that meeting. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Draft minutes of Board meetings shall be circulated promptly to all Directors.

## **10 Review**

The Sustainability Committee will review these terms of reference at least every two years or, where circumstances warrant, at such shorter interval as is necessary, to determine if further additions, deletions or amendments are required and make a recommendation to the Board as to their approval.

## **11 History**

These Terms of Reference were:

- Initially adopted by the Board of Bacanora Minerals Ltd on 29 June 2017
- Updated by the Board of Bacanora Lithium Plc as part of the redomicile on 18 February 2018
- Updated by Board on 30 June 2020

## **Appendix - Board Reserved Matters**

The Board retains ultimate responsibility for and has a duty to supervise the discharge of functions it delegates. Nothing in these Matters shall restrict the Board from delegating to any committee in accordance with the Articles the exercise of any powers conferred on the Directors in connection with any particular transaction or matter considered by the Board and in respect of which it resolves to establish a committee for such purpose.

### **Board Membership and Other appointments**

- Appoint or remove Directors, including selection/removal of the Chairman, Lead Independent Director
- Appoint, review and/or replace CEO, CFO, and Company Secretary;
- Changes to the structure, size and composition of the Board and its Committees;
- Ensuring effective processes are in place for the succession of the Board, CEO and other senior executives;

### **Strategic Oversight, Financial and Operational Matters**

#### ***Strategy***

- Overall strategic direction and establishing the Company's purpose, strategy, policies and values, and satisfying itself that these and its culture are aligned;
- Monitoring progress and management performance against strategic objectives and ensuring that the necessary financial and human resources are in place to meet these objectives;

#### ***Financial Reporting***

- Approval of any significant changes in accounting policies or practices;
- Maintenance and oversight of a sound system of internal control and risk management;
- Approval of the annual and half yearly report and accounts;

#### ***Business Controls***

- Approval of the Dividend policy, declaration of interim dividends and recommendation to shareholders for approval of final dividends
- Approval of the annual operating and capital expenditure budgets, any material changes to them and monitoring performance against budget;
- Approval of any material changes to the Company's capital structure, its status as a listed company or its management and control structure;

### **Financial expenditure**

- Approval of capital projects where the cumulative spend is in excess of US\$2m;
- For expenditure previously approved by the Board, approval of material scope changes and cost overruns in excess of 10% above the approved expenditure (either in local currency or US\$);
- Approval of final or binding contracts relating to acquisitions, disposals or joint ventures;
- Entry into loans from third parties or banking facilities in excess of US\$2m;
- Approval of the provision of guarantees or indemnities in excess of US\$2m;
- Approval of the settlement of litigation for amounts in excess of US\$0.5m;
- Approval of tax matters where the value of settlement is in excess of US\$0.5m;

### **Shareholder Engagement and Communications**

- Convening of meetings of shareholders of the Company and approval of resolutions and corresponding documentation to be submitted to those meetings;



- Approval of all circulars, prospectuses and listing particulars or other document requiring to be approved by or filed with a stock exchange on which the Company's securities are listed (other than routine announcements or filings);
- Recommendation to shareholders for adoption of any proposed changes to the Articles;
- Recommendation to shareholders for adoption of any new employee share plan, and approval of any amendments to any existing employee share plan as recommended by the Remuneration Committee;
- Recommendation to the shareholders for the appointment, removal or re- appointment of external auditor;
- Approval of the allotment of shares and share buy backs (including the use of treasury shares) in respect of the Company, subject to the appropriate shareholder authorities;

### **Governance**

- appoint and determine the composition of and set the terms of reference for Board committees;
- approve the terms of reference for the CEO, CFO, Chairman, LID and Company Secretary;
- implement an appropriate process for assessing the effectiveness of the Board, Chairman, committees and directors in fulfilling their responsibilities.
- Receiving reports from Board Committees and on the views of key stakeholders;
- Determining the independence of Non-Executive Directors;
- Determining the remuneration of Non-Executive Directors;
- Assess the adequacy and form of director compensation on recommendation from the Remuneration Committee
- assume responsibility for Company's Sustainability policies and practices and ensure they meet the needs of the shareholders, employees, local communities, customers, debt providers and other stakeholders; and
- The appointment of the Company's principal financial advisers and other responsible persons as may be required by applicable legislation;