

Yancoal Australia Ltd

Board Charter

Approved by the Board on 29 February 2016

Introduction

The Board of Yancoal Australia Ltd (the **Company**) has adopted this Charter to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

Structure and composition

The Board is appointed by the Shareholders in accordance with the Constitution of the Company. Under the Constitution, the Company must have at least four Directors.

Consistent with the Company's undertaking to the Treasurer of the Australian Federal Government, the Company must have at least two Directors whose principal place of residence is in Australia, at least one of whom is independent, as defined by the *Independence standard* set out below.

Subject to the Constitution of the Company and the requirements set out above, the Board will be of such size and competence necessary to understand and properly deal with the current and emerging issues of the business of the Company.

The Board, together with the Nomination and Remuneration Committee, will review the skills represented by Directors on the Board and determine whether the composition and mix of those skills remain appropriate for the Company's business activities and strategy, subject to limits imposed by the Constitution and the terms served by existing Directors.

Independence standard

Without limiting the Board's discretion, the Board has adopted the following guidelines to assist in considering the independence of Directors. In general, a Director is considered independent if the Director:

1. is not, nor has within the last three years been, employed in an executive capacity by the Company or any of its child entities;
2. is not, nor has within the last three years been, a partner, director or senior employee of a provider of material professional services to the Company or any of its child entities;

3. is not, nor has within the last three years been, in a material business relationship with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
4. is not a substantial Shareholder of the Company or an officer of, or otherwise associated with, a substantial Shareholder of the Company;
5. does not have a material contractual relationship with the Company or any of its child entities other than as a director;
6. does not have close family ties with any person who falls within any of the categories described above;
7. has not been a director of the Company for such a period that his or her independence may have been compromised; and
8. is free from any other interest, position, association or relationship that might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

The Board will consider the materiality of the Directors' interests, position, association or relationship for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles.

The qualitative assessment will override any quantitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Disclosure of independence

Each Non-executive Director must regularly provide the Board all information relevant to their compliance with the *Independence standard*. Independence will be assessed regularly by the Board together with the Nomination and Remuneration Committee.

Authority and Delegation

The Board's powers are set out in rule 8.7 of the Constitution and, subject to the Constitution and the Corporations Act, include:

- managing the business of the Company;
- all the powers of the Company that are not required to be exercised by the Shareholders; and
- approving the execution of any legal or financial documents on behalf of the Company (other than documents which require the approval of the Shareholders).

The Board may delegate any of its authority to —

- a Director
- a committee of Directors

- an employee of the Company
- any person.

However, ultimate responsibility for compliance with relevant laws and regulations, business strategy and control rests with the Directors.

Role and Responsibilities

Board Role

The Board's role is (subject to approval by the Shareholders where required under the Constitution) to:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies, and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance periodically;
- protect and optimise Company performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards);
- ensure Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs, subject to the applicable rules relating to continuous disclosure; and
- monitor the Company's solvency.

Board key responsibilities

The key responsibilities of the Board include the following (subject to approval by the Shareholders where required under the Constitution).

Direct the affairs of the Company

- Review and approve the Company's strategic objectives and five-year Corporate Plan;
- Review and approve the annual production plan, annual sales plan, annual operational expenditure plan, annual capital expenditure plan and annual financial budget of the Company;
- Approve plans for the establishment of, and changes to, the internal management structure of the Company;
- Ensure that the appropriate regulators in Australia and the Peoples Republic of China (**PRC**) are notified (if required) and that relevant approvals as may be required are obtained in relation to investments and disposals of assets;

- Review and approve any single or accumulated investments in the last 12 months that are less than A\$100 million;
- Review and approve any single or accumulated disposals in the last 12 months of the assets of the Company that are less than A\$100 million;
- Review and approve any program for increasing the issued capital of the Company, subject to Shareholder approval where required under the Constitution and relevant disclosure requirements;
- Review and approve any significant operational and external communications by the Company other than any that are to be approved by the Shareholders (and other than any required by law to be made in a timeframe in which it is not practicable to obtain Board approval, for example ASX continuous disclosure notices);
- Review and approve the Company's financial accounts for submission to relevant Australian regulatory authorities, approval of Majority Shareholders and for tabling at the Company's annual general meeting;
- Review and approve the Corporate Governance Statement, and any other reports that the Board is required by law or under the ASX Listing Rules to approve;
- Approve the remuneration of the Company's external auditor for temporary work outside the scope of the annual audit;
- Determine the level of insurance and approve the purchase of any insurance for Directors and officers of the Company;
- Approve the creation of any reserve from the revaluation of any assets and the cancellation of any such reserve unless such creation or cancellation is required by any applicable laws, regulations or accounting standards;
- Propose the terms on which securities in the Company (including shares, options and rights) are made available to employees of the Company;
- Consider and where appropriate, recommend any changes to the Company's Constitution; and
- Supervise the Strategy and Development Committee's and the Health, Safety and Environment Committee's activities.

All approval thresholds will be applied on a group basis whereby all acts and /or decisions of the Company's subsidiaries will be aggregated with the acts and/or decisions of the Company for this purpose (subject, in the case of a non-wholly owned subsidiary, to law and to and any rights of the other shareholders).

The Board may exercise all powers of the Company which are not required to be exercised by Shareholders under the Constitution.

Oversee the appointment, remuneration, and performance of senior management

- Approve the appointment and removal of all members of the Executive Committee;
- Define and approve the role, duties, responsibilities and performance indicators for the Chair of the Executive Committee (CEC) and Chief Executive Officer (CEO);
- Set performance targets for and monitor performance of the CEC and CEO;

- Appoint and remove the Chief Financial Officer and the Company Secretary on the recommendation of the Chairman of the Board;
- Approve and monitor the process used to evaluate senior management performance;
- Approve the remuneration arrangements for all members of the Executive Committee (except for any Director) and senior executive officers;
- Manage, together with the Nomination and Remuneration Committee, succession planning for the positions of CEC, CEO and other senior executive officers; and
- Supervise the Remuneration and Nomination Committee's activities.
- Approve the measurable objectives for achieving gender diversity developed by the Nomination and Remuneration Committee, and any changes to these objectives recommended by the Committee.

Set and monitor the Company's risk management strategy

- Approve, review and monitor systems of internal control and risk management, the Company's human resources and remuneration policy, and other fundamental policies;
- Approve, review and monitor compliance with the Company's key corporate policies and protocols;
- Monitor the Company's operations in relation to, and compliance with, relevant laws and regulatory requirements;
- Supervise the Audit and Risk Management Committee's activities;
- Review and monitor the process that management has in place to identify and manage business opportunities and risks;
- Evaluate and determine the extent, types and likelihoods of risk that are acceptable for the Company to bear; and
- Review with management key business risks, how they are being managed and what, if any, modifications in risk management strategies should be adopted.

Directors

General Director responsibilities

- Directors must act at all times with honesty and integrity and will observe the highest standards of ethical behaviour;
- Directors must ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests;
- Directors must use all reasonable measures to attend Board meetings in person; Directors unable to attend a Board meeting must inform the Company Secretary (who will then inform the Chair and other Directors) as soon as practicable and provide an explanation for non-attendance;
- Directors:
 - when new to the Board, will be expected to participate in all induction and orientation programs; and
 - will be expected to participate in any professional development opportunities arranged for them;

- Directors must read and review all Board papers, including monthly reports, quarterly reports and annual reports as provided to them from time to time.

Directors' Duties under the Corporations Act 2001 (Cth)

- Directors must act with a degree of care and diligence that a reasonable person would exercise if they were a director in the Company's circumstances and had the same responsibilities of that director;
- Directors must act in good faith in the best interests of the Company and for a proper purpose; and
- Directors must not improperly use their position or information to gain an advantage for themselves or someone else or to cause detriment to the Company.

Access to independent advice

- The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair, or the rest of the Board as a whole.

The Chair

- Members holding a majority of the issued shares of the company conferring the right to vote (**Majority Shareholders**) may nominate a Director to the office of Chairperson of the Board and may elect one or more Directors to the office of Deputy Chairperson of the Board by writing delivered to the company; and
- One Vice Chair, who is nominated by the Majority Shareholders, will be appointed by the Board to be the CEC and assume the duties of the CEC as provided for in this Charter and the Executive Committee Charter.

Duties of the Chair

The Chair will —

- Chair Board meetings;
- Establish the agenda for Board meetings;
- Chair meetings of Shareholders, including the Annual General Meeting of the Company and ad hoc meetings of Shareholders;
- Be kept fully informed by senior management of all material matters which may be relevant to Directors, in their capacity as Directors of the Company;
- Provide guidance and mentoring to the CEC and CEO;
- Ensure the process of Board evaluation is conducted;
- Oversee investor relationship management and overall investor communication strategy or delegate it to other Directors and/or senior managers;
- Exercise the casting vote if the votes are equal on a proposed resolution. If the chairperson is not present at a meeting of Directors, the chairperson may, in his or her

discretion, nominate another Director to have a casting vote in the chairperson's absence by written notice to the Board; and

- Fulfil such other responsibilities as are allocated by the Constitution from time to time.

Duties of the Vice Chairs

The Vice Chairs will —

- Chair Board meetings if the Chair is not able to be present at the meeting;
- Chair meetings of Shareholders, including the Annual General Meeting of the Company and ad hoc meetings of Shareholders if the Chair is not able to be present at the meeting; and
- Fulfil such other responsibilities as are allocated by the Chair from time to time.

The Company Secretary

- The Board will appoint at least one Company Secretary.

Duties of the Company Secretary

- The Company Secretary is accountable directly to the Board, through the Chair;
- The Company Secretary is responsible for ensuring compliance by the Company with the Company's constitution, the provisions of the Corporations Act and other applicable laws as they relate to the Company;
- The Company Secretary is responsible for the provision of corporate governance advice to the Board;
- The Company Secretary is responsible for ensuring that the Company's books and registers required by the Corporations Act are established and properly maintained;
- The Company Secretary is responsible for ensuring that all notices and responses are lodged with ASIC and ASX on time;
- The Company Secretary is responsible for organising and attending Shareholder meetings and Directors' meetings, including sending out notices, preparing agendas, marshalling proxies and compiling minutes; and
- All Directors will have direct access to the Company Secretary.

Independent director acting as proxy of Majority Shareholder

- To comply with conditions imposed under the *Foreign Acquisitions and Takeovers Act 1979* (Cth), on and from 1 January 2013, the Majority Shareholder will appoint an independent Director of the Company in writing as the Majority Shareholder's proxy to act generally at each general meeting of the Company held after 1 January 2013 on the Majority Shareholder's behalf (in respect only of the voting shares in the Company that the Majority Shareholder holds in excess of 70% of the total voting shares in the Company). The terms of the proxy appointment will determine which independent Director of the Company is so appointed in respect of each such meeting.

- The appointed independent Director must (consistent with the terms of the proxy appointment) vote the voting shares the subject of the proxy appointment on all member resolutions in respect of which the Majority Shareholder is entitled to vote consistent with, and in the same proportion as, the votes cast by the minority Shareholders of the Company on the resolution.

Meetings

Meetings of the Board should be held at least four times per year to ensure that the Directors are kept informed on a timely basis of all material matters affecting the Company, or as frequently as required.

The Chair of the Board or any three Directors may, whenever they think fit, call a meeting of the Directors.

No business may be transacted at a meeting of directors unless a quorum of Directors is present at the time the business is dealt with. Unless the directors decide differently, at least half of the Directors constitute a quorum. If there is a vacancy in the office of a Director, the remaining Directors may act provided that if their number is not sufficient to constitute a quorum, they may only act in an emergency or to increase the number of Directors to a number sufficient to constitute a quorum.

Directors should receive Board papers and related material with sufficient time to read and review prior to the relevant meeting.

The Chair of the meeting should ensure, through the CEO, the availability and, if necessary, the attendance of any member of executive management or adviser at Board meetings as required or appropriate.

The Company's constitution governs the regulation of Board meetings and proceedings.

Circulating resolutions

Urgent matters that cannot wait until the next Board meeting can be dealt with by a circulating resolution. Circulating resolutions should be approved by the Chair before being circulated and should normally be preceded by a telephone meeting if practical.

Conflicts of interest

As a general principle, each Director must bring an enquiring, open and independent mind to Board meetings, listen to the debate on each issue raised, consider the arguments for and against each motion and reach a decision that he or she believes, to be in the best interests of the Company as a whole irrespective of any actual or possible conflict of interest and in accordance with the Company's code of conduct and policies relating to conflicts of interest.

Delegation to Board committees

The Board will establish the following standing committees —

- Audit and Risk Management Committee
- Nomination and Remuneration Committee
- Strategy and Development Committee
- Health, Safety and Environment Committee

The Board will appoint the Chair of each of these standing committees.

The Board will consider and approve the charters of these standing committees.

These committees are designed to consider specific matters and make recommendations to the Board. The Board must make an independent assessment of the recommendations, having regard to the Board's knowledge of the business and risks of the Company and the complexity of the structures and operations of the Company.

The Board may from time to time establish other committees to streamline the discharge of its responsibilities.

The Board will receive copies of any committee minutes and agendas (and where appropriate, papers) in respect of each committee.

Delegation to executive management

Management must through the CEC and CEO supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

Any Director may communicate directly with employees of the Company but such communications are to be made having regard to the efficient operation of the Company and the need to preserve and maintain an effective chain of command and the confidentiality of the Board's deliberations.

Where individual Directors wish to communicate with executive management or with other employees or representatives of the Company in relation to Company business, the Chair must whenever reasonably practicable facilitate those communications.

Role of the CEC

- The CEC will be the Chair of the Executive Committee;
- The CEC has responsibility for monitoring the implementation of strategic objectives, plans and budgets approved by the Board;
- The CEC has responsibility for calling and chairing the Executive Committee meetings, as outlined in the Executive Committee Charter;
- The CEC is responsible for approving any proposals to be referred to the Board; and

- The CEC will fulfil such other responsibilities as delegated to him/her by the Board from time to time.

Role of the CEO

- The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by other officers to whom the management function is properly delegated by the CEO);
- The Board approves corporate objectives for the CEO to satisfy and develops the duties and responsibilities of the CEO;
- The CEO is responsible for implementing strategic objectives, plans and budgets approved by the Board;
- The CEO has overall responsibility for the operations of the Company (other than those items that have been delegated to the CEC);
- The CEO will fulfil such other responsibilities as delegated to him by the Board from time to time; and
- The CEO is accountable to the Board and reports to the Chairman of the Board and the CEC.

Role of the Executive Committee

- The Executive Committee comprises the CEC, the CEO, another Director appointed by the Majority Shareholders, the Chief Financial Officer, the Chief Operating Officer, the Chief Marketing Officer and any other officers that the Board resolves will be members of the Executive Committee;
- The role of the Executive Committee is to:
 - be a discussion forum for senior executive officers;
 - be an additional forum to facilitate communication between senior executive officers and the Board; and
 - fulfil the responsibilities set out in its charter, as amended by the Board from time to time.

Remuneration

The level of Director remuneration will be determined by the Majority Shareholders so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type. The Majority Shareholders will consider recommendations made by the Nomination and Remuneration Committee.

Performance evaluation

- On a periodic basis, Directors will provide written feedback in relation to the performance of the Board, its committees and individual Directors against a set of agreed criteria;
- At such time each committee of the Board will also be required to provide feedback in terms of a review of its own performance;

- Feedback will be collected by the Chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its committees;
- The CEC and CEO will also provide feedback from senior executive officers in connection with any issues that may be relevant in the context of the Board performance review;
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

Access to Board charter

This Charter will be provided to each Director of the Company, senior executive officers, internal and external auditors and shareholders and copies will be available on request to the Company Secretary. The Charter will be made available to employees via the electronic Yancoal Management System and the Company's website.

Review of Board charter

The Board will, at least once in each financial year, review this Charter, and the charter of each of the committees, and make any amendments it determines are necessary or desirable.

This Charter was approved on by the Board on 29 February 2016.