

1. INTRODUCTION

1.1. In carrying out its responsibilities and exercising its powers, the board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the shareholders of Calix Limited (the company), as well as its employees, customers, and the community. It works to promote and maintain an environment within the company that establishes these principles as basic guidelines for all of its employees and representatives at all times.

2. PURPOSE AND ROLE

2.1. The board is RESPONSIBLE for:

- a) Charting the direction, strategies and financial objectives of the company and ensuring appropriate resources are available;
- b) Monitoring the implementation of those policies and strategies and the achievement of those financial objectives;
- c) Monitoring compliance with control and accountability systems, regulatory requirements and ethical standards;
- d) Ensuring the preparation of accurate financial reports and statements;
- e) Reporting to shareholders and the investment community on the performance and state of the company; and
- f) Reviewing on a regular and continuing basis:
 - I. executive succession planning (in particular for the Managing Director),
 - II. executive development activities.

2.2. In performing the responsibilities set out above the board will act at all times:

- a) in a manner designed to create and build sustainable value for shareholders; and
- b) in accordance with the duties and obligations imposed upon them by the company's constitution and by law.

3. POWERS

3.1. In addition to matters expressly required by law to be approved by the board, powers specifically reserved for the board are as follows:

- a) appointing and removing the Managing Director and determining his or her terms and conditions of employment (including remuneration);
- b) reviewing and ratifying each of the following:
 - I. systems of governance, risk management and internal control, codes of conduct and legal compliance,
 - II. financial and other reporting; and,
 - III. major capital expenditure, capital management, and acquisitions and divestitures;
- c) any matters in excess of discretions that, from time to time, it may have delegated to the Managing Director and senior management (for instance, in relation to capital expenditure); and

- d) approving each of the following, on the recommendation of the Managing Director where appropriate:
 - I. the Strategic Plan, at least annually;
 - II. the budget, at least annually;
 - III. the appointment and, where appropriate, the removal of the chief financial officer and/or company secretary;
 - IV. the remuneration and conditions of service, including financial incentives, for the chief financial officer and company secretary,
 - V. significant changes to the organisational structure;
 - VI. the acquisition, establishment, disposal or cessation of any significant business of the company;
 - VII. the issue of any shares, options, equity instruments or other securities in the company;
 - VIII. any public statements which reflect significant issues of the company policy or strategy; and
 - IX. any changes to the discretions delegated from the board.

4. BOARD MEMBERSHIP

- 4.1. The board will be comprised of a majority of independent directors.
- 4.2. The directors appoint an independent director as chair of the board.

5. INDEPENDENCE

- 5.1. An independent director is a non-executive director (i.e. is not a member of management) and:
 - a) is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
 - b) within the last three years has not been employed in an executive capacity by the company or a group company, or been a director of the company within three years after ceasing to hold any such employment;
 - c) within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
 - d) is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
 - e) no material contractual relationship with the company or another group member other than as a director of the company;
 - f) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
 - g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.
- 5.2. For the purpose of this Section 5,
 - a) "principal" does not include a non-executive director;

- b) “material professional adviser” does not include a professional adviser providing less than 25% of professional advisory services of a same or similar nature to the company and its group members; and
- c) the guidelines contained in Australian Accounting Standards Board AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors definition of “Materiality” are followed in determining whether a supplier or customer is a “material supplier or customer”.

6. MEETINGS

- 6.1. Board and committee papers are provided to directors, where possible, seven days prior to the relevant meeting.
- 6.2. The non-executive directors meet at least twice each year for private discussion of management issues.

7. BOARD COMMITTEES

- 7.1. The board from time to time establishes committees to assist it in carrying out its responsibilities, and adopts charters setting out matters relevant to the composition, responsibilities and administration of such committees, and other matters that the board may consider appropriate.
- 7.2. The board has established the following committees:
 - a) an audit and risk management committee (“ARMC”);
 - b) a remuneration and nominations committee (“Rem and Nom”);
 - c) a technical committee.

8. THE CHAIR

- 8.1. The directors elect one of their number to the office of chair and may determine the period for which that director is to be chair.
- 8.2. The chair presides over meetings of the board and general meetings of shareholders.
- 8.3. The chair is responsible for leading and managing the board in the discharge of its duties.

9. THE MANAGING DIRECTOR

- 9.1. The Managing Directors duties are to:
 - a) devote the whole of his or her time, attention and skill during normal business hours and at other times as reasonably necessary, to the duties of the office;
 - b) be accountable for planning, co-ordinating and directing the operations of the company to achieve strategic, financial and operating objectives as agreed with the board;
 - c) formulate and recommend business and financial strategies and plans to develop the company’s business and to implement these plans to achieve agreed performance targets;
 - d) promote the interests of the company; and
 - e) faithfully and diligently perform the duties and exercise the powers:
 - I. consistent with the position of a Managing Director of the company; and
 - II. assigned by the board.

9.2. In fulfilling his or her duties, the Managing Director:

- a) reports directly to the board;
- b) provides prompt and full information to the board regarding the conduct of the business of the company; and
- c) complies with reasonable directions given by the board.

10. THE COMPANY SECRETARY

10.1. The company secretary supports the effectiveness of the board by:

- a) monitoring and ensuring that board policy and procedures are followed; and
- b) co-ordinating the completion and dispatch of board agendas and briefing papers.

10.2. The company secretary is responsible to the board, through the chair, on all governance matters.

11. BOARD ASSESSMENT

11.1. The board undertakes an annual performance evaluation of itself that:

- a) compares the performance of the board with the requirements of its charter; and,
- b) effects any improvements to the board charter and the board's proceedings as deemed necessary or desirable.

11.2. The performance evaluation is conducted in such manner as the board deems appropriate and as may be required by relevant statute, regulation or guidelines.

12. APPOINTMENT

12.1. Letters of appointment for each new appointment to the board set out the key terms and conditions relative to the appointment.

13. TERM OF OFFICE

13.1. A director, (excluding the Managing Director) must not hold office (without re-election) past the third annual general meeting following the director's appointment following the director's appointment or 3 years, whichever is longer.

13.2. At each annual general meeting, one-third of the directors (except the Managing Director), or, if their number is not three or a multiple of three, then the number nearest but not exceeding one-third, shall retire from office by rotation. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. Nothing in this clause shall prevent any other directors from retiring at an annual general meeting and seeking re-election.

13.3. The retiring directors will be eligible for re-election.



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Peter Turnbull
Chair

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