

**AWTA LTD**

**CORPORATE GOVERNANCE CHARTER**

**&**

**GUIDE FOR DIRECTORS & OFFICERS**

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## 1. BACKGROUND

AWTA Ltd is a Company Limited by Guarantee. The following organisations or their nominees are the Member Guarantors constituting the Company:

- Australian Council of Wool Exporters Inc;
- Australian Wool Processors Council Inc:
  - Wool Scourers & Carbonisers of Australia Group; and
  - Wool Textile Manufacturers of Australia Group;
- Australian Wool Innovation Ltd;
- Private Treaty Wool Merchants of Australia Inc;
- The National Council of Wool Selling Brokers of Australia Inc; and
- WoolProducers Australia Ltd.

## 2. BOARD STRUCTURE

As described in the Company's Articles of Association, each Member Guarantor is entitled to appoint a Director to the Board. The Member Guarantors may also appoint two Independent Directors. Further, subject to approval by the Member Guarantors, the Board may appoint a Director having special scientific and/or technological qualifications. The Chief Executive Officer is also a Director (the Managing Director).

Consequently, the Board will comprise not more than eleven Directors (including the Chairman) with two of these Directors being "Independent". An Independent Director is one who is not a nominee of a Member Guarantor nor an adviser to AWTA Ltd for fees or some other Benefit.

The Board elects the Chairman from one of the two Independent Directors.

The normal term of a Director is for a period of three years on terms and conditions as contained in their letter of appointment, and a Director may be re-appointed.

## 3. THE ROLE OF THE BOARD

The Board of AWTA Ltd is responsible for all matters pertaining to the running of the Company.

The Board will be responsible for and have the authority to determine the policy, practices, management and operation of AWTA Ltd and shall do all such things as may be necessary to be done from time to time in order to carry out the objectives of the Company. Without limiting this general role, the principal functions and responsibilities of the Board include:

- Setting the short, medium and long-term goals of the Company.
- Providing directions in the context of the strategic needs of the Company.
- Determining the major policies governing the operations of AWTA Ltd.
- Appointing and approving the terms and conditions of the appointment of the Managing Director.
- Endorsing the terms and conditions of the Chief Financial Officer and General Manager Raw Wool.

- Reviewing and providing feedback on the performance of the Managing Director and his senior executives.
- Establishing and determining the powers and functions of all Committees of the Board.
- Approving major operating and business plans.
- Approving the annual operating and capital budgets and fees for service.
- Approving capital expenditure authorisation limits and actual expenditure for individual items consistent with those limits.
- Reviewing annual progress and performance in meeting the objectives of the Company including, reporting on the outcome of such reviews.

The Board conducts its activities through the Managing Director and delegates to him specific powers and responsibilities.

Delegations to the Managing Director are contained in the Section 7.

#### **4. THE ROLE OF INDIVIDUAL DIRECTORS**

AWTA Ltd Directors, in common with all Company Directors, have full responsibility for the overall successful operations of the Company. Of particular relevance to AWTA Ltd is that a Director appointed by a Member Guarantor of a Company Limited by Guarantee is a nominee Director, his or her primary responsibility is to the Company and as such, he or she is obliged to act in the interests of AWTA Ltd. There may be occasions when this duty would conflict with the interests of the nominating Member Guarantor. Specific areas of responsibility include:

- Financial operations and solvency;
- All matters as prescribed by law; and
- The strategic direction of the Company.

In accordance with statutory requirements, and in keeping with developments at common law, AWTA Ltd Directors will:

- Discharge their duties in good faith and honestly in the best interests of AWTA Ltd with the level of skill and care reasonably expected of a Director of a major Company;
- Owe a fiduciary duty to AWTA Ltd using the powers of office for a proper purpose, in the best interests of the Company as a whole;
- Act with required care and diligence, demonstrating commercial reasonableness in their decisions;
- Avoid conflicts of interest;
- Act for the benefit of AWTA Ltd;
- Not make improper use of information gained through their position as a Director;
- Not take improper advantage of the position of Director;
- Not allow personal interests, or the interest of any associated person, to conflict with the interests of AWTA Ltd;
- Ensure that the Company's financial affairs are managed in a responsible manner;

- Not allow the Company to operate whilst insolvent;
- Make reasonable enquiries to ensure that AWTA Ltd is operating efficiently, effectively and legally towards achieving its goals; and
- Undertake diligent analysis of all proposals placed before the Board.

Directors decide what Company matters are delegated to either specific Directors or management and what controls are in place to oversee the operation of these delegated powers.

Directors have no individual authority to participate in the day to day management of AWTA Ltd, including making any representations or agreements with member companies, suppliers, customers, employees or other parties or organisations, unless such an authority is explicitly delegated by the Board through resolution to the Director, either individually or as a member of a Committee.

Directors will keep Board papers, discussions and deliberations confidential.

Directors are expected to be forthright in Board meetings and have a duty to question, request information, raise any issue, fully canvas all aspects of any issue confronting AWTA Ltd and cast their vote on any resolution according to their own decision. However, outside the Boardroom, Directors will support the letter and spirit of Board decisions in discussions with industry organisations, suppliers, customers, staff and other parties.

A Director should not engage in conduct likely to bring discredit upon AWTA Ltd.

A Director shall conduct him/herself in a manner which is consistent with generally accepted procedures for the conduct of meetings at all meetings of the Board.

#### **4.1 Conflict of Interest**

Directors must disclose to the Board actual or potential conflicts of interest which may exist or might reasonably be thought to exist and which may impact upon or influence the activities of AWTA Ltd.

If a Director is unable to remove a conflict of interest as required, the Director must absent him/herself from the room when there is discussion of matters about which the conflict relates. This entry and exit should be minuted. If a vote is required, the Director may not vote.

Directors will indicate to the Chairman any potential conflict of interest situation as soon as it arises.

The same requirement will exist for related party transactions. Related party transactions include any financial transactions with AWTA Ltd or utilisation of the services of the Company in the ordinary course of business. Related party transaction will be declared in the Annual Report.

These requirements will also apply to all senior officers of the Company.

The Company Secretary will maintain a register of related party transactions.

#### **4.2 Access**

As there is the occasional need for Directors to be contacted urgently, Directors should leave with the Company Secretary any contact details either for themselves or for a person who knows the location of the Director, so that Directors can be contacted within 24 hours in cases of important business.

## 5. THE ROLE OF THE CHAIRMAN

The Chairman is appointed by the Board and must be an independent Director of the Company. He may hold office as Chairman for as long as the Board determines.

In common with the Chairman of most companies, the Chairman will:

- Establish the agenda for Board meetings in consultation with the Managing Director.
- Chair Board meetings (If the Chairman is not present within 10 minutes after the time appointed for the holding of that meeting, the Deputy Chairman will chair the meeting, or in his absence, the Directors present shall choose one of their number to act as Chairman for the duration of that meeting).

The Chairman shall not be entitled to vote or participate in the deliberations on any matter in which he has a personal interest.

In particular, the Chairman will:

- Be the major point of contact between the Board and the Managing Director;
- Be kept fully informed of day-to-day happenings by the Managing Director on all matters which may be of interest to Directors;
- Regularly review with the Managing Director and such other senior executives as the Managing Director recommends, progress on important initiatives and significant issues facing the Company;
- Provide mentoring for the Managing Director; and
- Chair the Managing Director evaluation process.

## 6. THE ROLE OF THE COMPANY SECRETARY

The Company Secretary is appointed by the Board for such term and upon such conditions as it thinks fit.

The Company Secretary will:

- Ensure all requirements of Corporations Law are fully met; and
- Subject to provisions for shorter notice of a Board meeting, the Secretary shall notify the Directors in writing at least 14 days in advance of a meeting of the Board.

## 7. THE ROLE OF THE MANAGING DIRECTOR

The Managing Director will be appointed by the Board.

The Managing Director is responsible for the on-going management of the organisation in accordance with the strategy, policies and programs approved by the Board to achieve the agreed goals.

The Managing Director's responsibilities will include:

- Developing, with the Board, a consensus for AWTA Ltd's vision and direction;
- Constructing, with AWTA Ltd's management team, programs to implement this vision;
- Endorsing the terms and conditions of appointment of senior executives and other staff members;

- Provide strong leadership to, and effective management of AWTA Ltd in order to:
  - Encourage co-operation and teamwork; and
  - Build and maintain staff morale at the highest level, and build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company.
- Signing agreements with third parties under Board delegations;
- Ensuring a safe workplace for personnel;
- Carrying out the day-to-day management of the Company;
- Forming Committees from time to time to assist in the orderly conduct and operation of the Company; and
- Keeping the Board informed, at an appropriate level, of all the activities of the Company.

The Managing Director is formally delegated by the Board to:

- (a) Authorise all expenditures as approved in the budget, subject to compliance with the documented Capital Expenditure Authorisation limits.
- (b) Approve the appointment of all Management positions, except the Managers who report to the Managing Director, which must be approved by the Remuneration and Appointments Committee on the recommendation of the Managing Director.
- (c) Sign all contracts as formally approved by the Board.

## **8. BOARD MEETINGS**

- Unless otherwise constituted, the Board will meet 6 times a year:
  - Four meetings will be held at the Company's Head Office in Melbourne;
  - One meeting will be held in Werribee, Victoria;
  - One meeting to be held in either the Bibra Lake W.A. or Napier New Zealand offices, as determined by the Chairman.
- The Board will normally meet on a Monday or Friday;
- Alternatively, a Board meeting can be convened when:
  - The Board or Chairman determine; and/or
  - Two Directors call a meeting.
- Most meetings will occur at AWTA Ltd Head Office and will normally run from 9:30 am until 12:30 pm;
- Attendees will comprise all Directors, the Company Secretary and the Chief Financial Officer as well as selected senior executives scheduled to give presentations, or needing decisions to be taken by the Board.

## **9. THE BOARD MEETING AGENDA**

### **9.1 Agenda**

An agenda will be prepared for each Board and Committee meeting. The Board meeting agenda will generally follow the format outlined below:

- Declarations of Interests;
- Minutes of Previous Meetings;
- Confidential Minutes of Previous Meetings;
- Matters Arising from Minutes;
- Managing Director's Operations Report;
- Financial Reports;
- Applications of Common Seal;
- Minutes of Board Committees;
- Board Submissions;
- General Business; and
- Future Meetings.

### **9.2 Agenda Preparation**

- The Managing Director, in consultation with the Chairman, shall prepare the agenda.

### **9.3 Matters arising from the Minutes**

- This item will normally cover any item from the previous Minutes about which any Director may require further information or a progress report and which will not be raised in the main body of the meeting;
- In the first instance, the Chairman will flag matters for reporting;
- At the end of the Chairman's flagged "Items Arising", any other Director may raise any item;
- Items will either be dealt with as raised, or it will be noted where in the agenda the item is planned to be discussed; and
- Each item raised and the response will be recorded in the Minutes of the meeting.

### **9.4 Managing Director's Operations Report**

- The Managing Director's Operations report is a key component of the Board meeting. It is through this report that Directors are kept apprised of AWTA Ltd's operations and activities. It also serves as major documentary evidence of the extent to which Directors asked to be kept informed and were kept informed of AWTA Ltd's activities;
- The Managing Director's Operations report is provided in a written format and expanded verbally by the Managing Director' at the meeting. The written report is included with the Board papers circulated before the meeting;

- The Managing Director's Operations report includes information, on:
  - Key performance indicators;
  - Overall financial performance;
  - Staffing activities;
  - Marketing activities;
  - Operational matters;
  - R&D matters;
  - Committees;
  - Progress on the strategic plan;
  - Due diligence (including risk management and compliance); and
  - Any other significant items.
- Often the Managing Director will delegate the writing of various sections of the report;
- If a decision is required on any aspect of the Managing Director's report that is not included elsewhere in the agenda, the report will contain the recommended resolution.

### **9.5 Report on the Seal Register**

- The Company Secretary will submit a report setting out all uses of the Company seal since the last meeting;
- This report will be circulated with Board papers; and
- The report on seal register will be "For Noting". However, any Director can request further information on any use of the seal.

### **9.6 Board Working Parties**

- Where the Board has established ad-hoc committees or working parties, these will report regularly to the Board on progress;
- These reports will be written, although it is not expected that they be lengthy, except if a major decision is required;
- These reports will be collated by the Managing Director; and
- Where a decision is required, a recommended resolution will be included with the papers.

## **10. BOARD PAPERS**

- The Managing Director is responsible for the preparation and circulation of Board papers;
- All Board papers must be circulated to Directors to arrive a minimum of five days before the Board meeting;
- No papers requiring consideration or decision can be tabled at the Board meeting, except with unanimous resolution of the Board;
- At a minimum, Board papers must contain:
  - Minutes of the previous meeting;
  - Agenda;

- Major Correspondence;
  - Report of the Seal Register;
  - Business Summary;
  - Key Performance Indicators:
    - Financial; and
    - Non-financial.
  - Any Board submissions, requiring decisions;
- All decision papers must conclude with the recommended resolution.

## **11. BOARD MINUTES**

- Minutes will contain a brief review of the discussion plus the official resolution adopted by Directors;
- All decisions will be recorded by means of a formal resolution;
- A draft resolution will be the last item of each set of Board papers seeking a decision from the Board;
- The Chairman will read the precise resolution before the Board and ask for all in favour and those against. The exact wording will be recorded and whether the resolution was carried or defeated, but will not contain the number of votes;
- Directors who dissent can ask to have their dissention noted in the minutes;
- Interim Minutes will be prepared by the Company Secretary and circulated to the Chairman and Directors for comments or correction as soon as practicable;
- Interim Minutes are then re-circulated together with a circulating resolution “that the interim Minutes be approved”;
- The approved Interim Minutes are entered into the Minute Book;
- The Interim Minutes are affirmed and signed by the Chairman at the next Board Meeting;
- The Company Secretary/Managing Director will maintain a complete set of Board papers at AWTA Ltd's Head Office; and
- Decisions of a policy nature will also be recorded in AWTA Ltd's Policy Manual. This is a joint responsibility of the Company Secretary and Managing Director.

## **12. ANNUAL BOARD CALENDAR**

Board meetings are held every second month on dates agreed in advance by the Board.

The Company's Annual General Meeting is held in October.

The Budget presentation is made at the June meeting.

Committee meetings are held as required through the year.

The Managing Director will schedule updates from divisional and functional management on a regular basis.

## 13. COMMITTEES

The AWTA Ltd Board will have the following Committees:

- Audit & Finance Committee;
- Environment & Safety Committee; and
- Remuneration & Appointments Committee.

When required, a working group, such as an ad-hoc Property Committee, can be established in a region.

### 13.1 Audit & Finance Committee

The Audit & Finance Committee operates under Terms of Reference from the Board. The principle objectives of the Committee are to:

- Assist the Board in the discharge of its responsibilities relating to all financial matters, including monitoring climate/sustainability financial risk and reporting;
- Assess and advise the Company's Board on whether the annual financial report represents a true and fair view of the Company's financial position and performance and complies with regulatory requirements;
- Substantiate the existence, quality and valuation of the Company's assets;
- Assist the Board by reviewing and assessing investment performance and recommending changes to the Investment Policy;
- Determine that management has implemented policies and procedures designed to ensure that the Company's risks are identified, assessed and appropriately addressed via risk management controls;
- Ensure the operation of effective internal control policies and procedures;
- Oversee the independence and appraise the quality of internal and external audits; and
- Maintain lines of communication between the Board, management and internal and external audit.

There will be a minimum of 3 Committee Members, 2 of whom will constitute a quorum.

The Chairman of the Committee will be an Independent Director, other than the Chairman of the Company. All members shall be non-executive Directors.

The Chief Financial Officer, Managing Director and AWTA Ltd's Chairman will attend the Committee Meetings where possible. The Committee shall meet with the Company's external auditors as required from time to time.

### 13.2 Environment & Safety Committee

The Environment & Safety Committee comprises 2 non-executive Directors and the Managing Director with the General Counsel acting as Secretary. The Committee is responsible:

- To ensure that environmental management system requirements including policies in relation to the Company's obligations with respect to environment (including climate and sustainability) and health and safety issues are established, implemented and maintained;
- To meet and monitor due diligence standards, to ensure compliance with relevant laws and regulations in relation to environmental and safety matters;

- To ensure effective monitoring of the Company's operations and their impact on the environment;
- To inform the Board of the extent to which environmental and safety audit programmes are in place;
- To ensure that the Company's environmental policy, objectives and targets are based on knowledge about the environmental impacts associated with its activities, products and services;
- To recommend an appropriate management reporting and compliance system for adoption by the Company; and
- To review the environmental management system to ensure its continuing suitability.

### **13.3 Remuneration & Appointments Committee**

The Remuneration & Appointments Committee will comprise the two independent Directors and one other non-executive Director. The Managing Director will be present at Committee meetings except when his own remuneration is discussed. The Committee will:

- Set policies for senior Management and the Managing Director's remuneration;
- Make specific recommendations to the Board on remuneration of Directors and General Managers;
- Approve the recommendations of the Managing Director on the remuneration of all non-award personnel below General Manager level; and
- Review candidates for vacant senior executive management positions and make specific appointment recommendations to the Board.

## **14. DELEGATION OF AUTHORITY**

### **14.1 Decisions**

The following decisions must be referred to the Board for approval:

- Annual Budgets and Fees (including detailed background papers);
- The details of any proposed appointment of any manager reporting to the Managing Director, whether budgeted or not. This includes approval to make the appointment and approval of the proposed person to be appointed;
- Any change to the Capital Expenditure Authorisation limits;
- Any major change of policy including marketing, human resources, financial, and operations;
- Any proposed change in strategic direction; and
- Any property purchase/sale decision.

## 14.2 Advice

The following should be reported to the Board or appropriate Committee for advice/noting:

- Bad debts in excess of 90 days;
- Any potential legal action against the Company; and
- Any non-routine financial claim against the Company.

## 15. MONITORING

In order to monitor AWTA Ltd performance, the Board will note the following key performance indicators:

- Operating income;
- Staff numbers;
- Productivity;
- Technical performance;
- Cash return on capital invested;
- Cash flow;
- Investment performance;
- Profit and Loss;
- Balance Sheet;
- Operating Contribution by division.

## 16. STRATEGY FORMULATION

- The Board is to be involved in and approve the corporate strategy of AWTA Ltd;
- A corporate strategy document will be updated and approved every 3rd year;
- The Board will be involved in the development of the strategic plan, which will be undertaken by senior management; and
- Progress on the implementation of the strategic plan will comprise part of the Managing Director's report, to the Board via the Board Papers as applicable.

## 17. SERVICE / ADVICE / CONTACTS

It is recognised that a key component of directorial duties is providing a sounding-board for the Managing Director.

In recognition that the Managing Director - Board relationship is critical to effective corporate governance, Directors of AWTA Ltd should provide frank and honest advice to him.

Similarly, all advice should be constructive in nature and provided in a positive manner.

Where appropriate, Directors should recommend possible alternative advisers if they do not feel adequately trained to assist.

Directors of AWTA Ltd are expected, where appropriate, to employ business contacts in the furthering of AWTA Ltd's interests.

## **18. MANAGING DIRECTOR EVALUATION**

- Managing Director's evaluation is undertaken by the Remuneration & Appointments Committee and reported to the Board; and
- Managing Director's evaluation will utilise both quantitative and qualitative measures. It will normally be conducted at the time of the June Board meeting.

## **19. DIRECTOR PROTECTION**

### **19.1 Information Seeking Protocol**

Directors have a right to seek information.

Directors will adhere to the following protocol when seeking information:

1. Approach the Managing Director.
2. If this is unsuccessful, discuss the issue with the Chairman.
3. If a resolution is still not forthcoming, write a letter to all Board members and the Managing Director detailing the information required, purpose of the information, and who the Director intends to approach in order to obtain the information.
4. Approach the relevant Company employee.

### **19.2 Access to Information and Insurance**

- The Company Secretary will personally hold a complete set of Board papers for Directors for a period of at least seven years;
- Directors are entitled to access these papers on request, even if they have ceased to be Directors. Any such request shall not be unreasonably delayed;
- The Company will maintain each Director's D&O insurance from the date of their appointment until seven years from the date at which they ceased to be a Director; and
- All of these issues have been passed in a formal resolution of the Board.

### **19.3 Deeds of Access, Insurance and Indemnity**

Directors and Officers will be offered access to the Deed of Access, Insurance and Indemnity in addition to Directors and Officers liability insurance when taking up the position.

Both the insurance policy and the Deed will seek to insure directors to the full extent permitted by law, for liabilities and costs incurred while acting as a Director of the Company.

## **20. DIRECTOR REMUNERATION**

A fundamental element of the corporate governance system for AWTA Ltd is the process and level of Director remuneration.

## 20.1 Non-executive Directors

The Company's Memorandum of Association provides that, whilst its income cannot be transferred by way of dividend or bonus, it can be used for payment in good faith to any officer or servant of the Company (including Directors) for any services actually rendered to the Company.

Non-executive Directors' fees are reviewed annually by the Member Guarantors having regard to performance, relevant comparative remuneration and independent advice.

Non-executive Directors may receive a Sitting Fee for Committee participation and reimbursement of travel and accommodation expenses for attendance at Board and other official Company Meetings.

## 20.2 Managing Director and Senior Executives

The Remuneration for the Managing Director, Chief Financial Officer and General Manager Raw Wool, is determined by the Board upon the recommendation of the Remuneration & Appointments Committee. Remuneration is decided following an annual review that considers performance, relevant comparative remuneration and, when required, independent advice. The Committee comprises Non-executive Directors only.

## 21. DIRECTOR INDUCTION

New Directors will undergo a full induction into their role on the Board. Information conveyed to the new Director will include:

- Details of his/her role and responsibilities with an outline of the qualities required to be a successful Director;
- Formal policies on Director appointment as well as conduct and contribution expectations;
- Details of relevant legal requirements, including Corporations Act and Australian Charities and Not For Profits Commission Act requirements;
- A copy of AWTA Ltd's Corporate Governance Charter;
- Guidelines on how the Board processes function;
- Details of past, recent and likely future developments relating to the Board including anticipated regulatory changes and so on;
- Background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- An analysis of the current status of AWTA Ltd including:
  - An industry background briefing, if applicable;
  - A review of the Company's businesses, operations and management;
  - Details of past financial performance;
  - Current financial position; and
  - Any other important operating information.

This analysis can be conducted by reference to a Management Monthly Performance Report Folder, a past Board Meeting Folder, and the previous Annual Review.

- A synopsis of current strategic directions.

Each Director will receive a formal letter of appointment that details:

- Terms of appointment;
- Remuneration and review policy;
- Access to information;
- Authority to engage outside specialists for advice;
- Insurance coverage; and
- Expectations of the Board.