

## **Board Charter – Dairy Australia Limited**

### **1 Introduction & Purpose**

- 1.1 The Board of Directors (the Board) of Dairy Australia Limited (DA) acts in the interests of its major stakeholders – Group A and B members, non-member levy payers and the Commonwealth Government – in accordance with this charter.
- 1.2 DA operates within a governance framework of the *Dairy Produce Act 1986* (Cth.), the *Corporations Act 2001* (Cth.) DA's Constitution and the Statutory Funding Agreement between DA and the Commonwealth of Australia, represented by the Commonwealth Department of Agriculture (SFA).
- 1.3 The purpose of this charter is to set out the role, composition, responsibilities and operating procedures of the Board within its governance framework.

### **2 Accountability**

- 2.1 In addition to its statutory and legal reporting obligations, given the compulsory nature of the Dairy Service Levy payments (Levy) and the substantial funding provided by the Commonwealth Government, the Board recognizes the significant responsibility of reporting to its stakeholders in an open and transparent manner. As well as meeting its statutory requirements for reporting, it will ensure it provides appropriate reporting of relevant information which demonstrates the benefits of DA's activities and that all queries to DA are responded to in a timely and effective manner.
- 2.2 The Board will at all times seek to ensure that DA's operational processes are consistent with the consultation and engagement requirements of the Constitution and the SFA.
- 2.3 The Board will act in good faith, honestly, diligently, with integrity, in the best interests of DA and Levy payers and in accordance with the law. It will also strive to promote and maintain an environment within DA that embeds these principles in DA's culture and has these principles as basic guidelines for all employees and contractors.

### **3 Roles and Responsibilities**

#### **3.1 The Board**

In accordance with Rule 19.1 of the Constitution, the management and control of the business and affairs of DA are vested in the Board. More specifically, but without limiting the general role of the Board, the Board's responsibilities include:

#### **Strategy**

- Reviewing and approving the strategic direction and financial objectives of DA;
- Overseeing the investment of the Levy, government matching payments and other funds in essential activities across the dairy supply chain including research, development, extension and industry services aimed at enhancing the long term profitability of the Australian dairy industry;
- Monitoring the implementation of the strategy and the achievement of objectives;

### **Oversight of Management**

- Appointing and (where appropriate) removing the Managing Director, and monitoring and reviewing his/her performance;
- Appointing and (where appropriate) removing the Company Secretary;
- Objectively assessing proposals put forward to the Board by management;

### **Oversight of Financial, Operational and Capital Management**

- Ensuring there are adequate resources to meet DA's objectives;
- Approving the strategic and operational plans referred to in Rule 18 of the Constitution, operating budgets, major capital expenditure and monitoring capital management;
- Approving and monitoring financial and other reporting;

### **Delegation of Authority**

- Approving the authorities delegated to management and any changes required to them;

### **Succession Planning and Remuneration**

- Succession planning and setting remuneration for the Managing Director and Executive Leadership Team;
- Reviewing and approving the remuneration review policy to be adopted for management and other employees;
- Setting non-executive director remuneration within the aggregate limit approved by members;

### **Corporate Governance and Social Responsibility**

- Ensuring a Corporate Governance framework (including supporting policies) is in place and that there is effective monitoring of compliance and performance to ensure high standards of corporate governance;
- Considering the social, ethical and environmental impact of DA's activities and setting standards and monitoring compliance with DA's social responsibilities and practices;
- Protecting the interests of and enhancing the reputation of DA;

### **Performance Evaluation**

- Evaluating the performance of the Board, its Committees and individual Directors.

### **Compliance and Risk Management**

- Ensuring risks are assessed and that appropriate risk management systems, internal controls and reporting systems and compliance frameworks are in place and operating effectively;
- Ensuring that DA complies with all requirements under the SFA;

### **Stakeholder Relations**

- Encouraging levy payers to join as Group A members;

- Ensuring open and transparent accountability to all stakeholders, particularly Group A and B members, non-member levy payers and the Commonwealth Government; and

### **Board Vacancies and Director Terms**

- Working with the Selection Committee and the HR Committee to ensure that the requirements of the SFA and the Constitution regarding the composition of the Board are met and, in particular:
  - ensuring that the skills matrix and reporting schedule referred to in Rule 28.3 of the Constitution are prepared and provided annually to the Selection Committee to assist in identification of the appropriate skillset required to fill any available vacancy on the Board; and
  - the circumstances in which it might be appropriate to extend an individual Director's tenure by a further year (to be approved at the AGM) in accordance with Rule 31.6(d) of the Constitution.

## **3.2 Role of the Chair**

- 3.2.1 The Board will elect a Director to be the Chair in accordance with Rule 21.4 of the Constitution.
- 3.2.2 The Chair must be an independent non-executive Director. There is a strong preference for the Chair to be a Director with milk producer skills, however it is acknowledged that the skillset required of the Chair will depend on the overall skills represented on the Board and industry needs/requirements at that particular time.
- 3.2.3 The responsibilities of the Chair include:
- Leading the Board and ensuring the efficient organization and conduct of the Board's function;
  - Representing the Board to members and communicating and consulting with relevant stakeholders on significant issues;
  - Briefing all Directors in relation to issues arising at Board meetings;
  - Arranging regular evaluation of the performance of the Board, its committees and of individual Directors;
  - Being the primary point of contact between the Board and the Managing Director and providing support, advice and counsel to the Managing Director;
  - Promoting constructive relationships between Directors and between the Board and management;
  - Briefing new Directors on their roles and responsibilities;
  - Monitoring the contribution of individual Directors and counseling them on areas that might improve Board performance and effectiveness;
  - Chairing general meetings of DA; and
  - Exercising such specific and express powers as are delegated to the Chair by the Board from time to time.
- 3.2.4 The Board may elect a Director to be the Deputy Chair in accordance with Rule 21.4 of the Constitution.

### **3.3 Role of Management**

3.3.1 The Board has delegated to the Managing Director and the Executive Leadership Team authority to manage and administer the day to day activities of DA. This delegation of authority includes responsibility for:

- (a) developing the strategic and operational plans referred to in Rule 18 of the Constitution and other business and management plans, budgets and strategies (including those required under the SFA) for the Board's consideration and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- (b) operating DA's business within the parameters set by the Board from time to time and keeping the Board informed of all material developments relating to the business;
- (c) where proposed transactions, commitments or arrangements exceed the parameters set by the Board, referring the matter to the Board for its consideration and approval;
- (d) identifying and managing operational and other risks and, where those risks could have a material impact on DA's business, formulating strategies for managing these risks for consideration by the Board;
- (e) managing DA's financial and other reporting mechanisms to ensure that these mechanisms are functioning effectively to capture and report on all relevant information (including that required under the SFA) on a timely basis;
- (f) implementing DA's internal controls and procedures for monitoring these controls and ensuring that these controls and procedures are appropriate and effective; and
- (g) implementing all policies, processes and codes of conduct (including any required under the SFA) approved by the Board.

3.3.2 The role of Chair and Managing Director must not be held by the same person.

### **3.4 Role of Company Secretary**

3.4.1 The Board will appoint at least one Company Secretary.

3.4.2 The Company Secretary is accountable to the Board.

3.4.3 All Directors will have direct access to the Company Secretary.

3.4.4 The Company Secretary is responsible for:

- (a) coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies, and all statutory and other filings;
- (b) advising the Board and its committees on governance matters;
- (c) ensuring that business at Board and committee meetings is accurately recorded in the minutes;
- (d) facilitating the induction and continuing education of Directors; and
- (e) facilitating access for Directors to independent professional advice, where requested.

## **4 Board Composition**

### **4.1 Size of Board**

In accordance with the Constitution, the Board shall comprise at least 7, but no more than 9, Directors including the Managing Director. The Board's policy is to maintain 9 Directors at all times and to fill any vacancy as soon as practicable.

### **4.2 Independent Directors**

4.2.1 The majority of Directors will be independent directors. An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgment.

4.2.2 The Board will regularly review the independence of each non-executive Director:

- (a) having regard to information relevant to this assessment as disclosed by each non-executive Director to the Board; and
- (b) in accordance with DA's *Policy on Independence of Directors*.

### **4.3 Milk Producer Directors**

With effect immediately after the 2014 Annual General Meeting, the Board will have at least four Directors with milk producer skills, such skills being determined by the Board from time to time.

### **4.4 Skills & Experience of Directors**

DA's Board is a skills based board. There is to be a balance of skills and experiences on the Board having regard to the nature of DA's business. The skills required of the Board overall will be detailed in the Board skills matrix as determined by the HR Committee and approved by the Board. The skills matrix will be made publicly available on DA's website.

### **4.5 Term**

4.5.1 The DA Board is conscious of the length of tenure of all Directors and actively works towards ongoing regeneration and renewal of the Board whilst at the same time having regard to the specific experience and skills needed on the Board as outlined in the Board skills matrix.

4.5.2 In accordance with the procedure outlined in the Constitution for appointment and rotation of Directors, Directors, other than the Managing Director:

- (a) are appointed for a 3 year period and at each AGM one third of Directors must retire and are eligible for reappointment unless precluded by law; and
- (b) will hold office for a maximum of 9 consecutive years (subject to the exceptions outlined in Rule 31.6(c) and (d) of the Constitution).

## **5 Board Committees**

5.1 All Committees are to have their own charter which shall include reporting responsibilities to the Board, composition/membership and responsibilities.

5.2 The Board has established the following committees:

- (a) Audit and Risk Management Committee;

- (b) Human Resources Committee; and
- (c) Selection Committee.

5.3 The Board may also establish other Committees as required to assist it exercise its responsibilities.

## **6 Board/Director Processes**

### **6.1 Appointment of Directors, Induction and Training**

- 6.1.1 Directors are appointed in accordance with the Constitution. The key terms and conditions applicable to the appointment of new Directors will be communicated in a letter of appointment.
- 6.1.2 To assist them in fulfilling their duties and responsibilities, all new Directors appointed to the Board will undertake an induction program, appropriate to the individual Director's skills and experience.
- 6.1.3 The Board is committed to the ongoing development of all Directors and will arrange relevant training for the Board as a whole, as appropriate.
- 6.1.4 Individual Directors are responsible for their own development and must endeavour to participate in any training nominated for them by the Chair.
- 6.1.5 Directors may also, with the Chair's approval, attend other professional development courses to enable them to carry out their responsibilities.

### **6.2 Compliance**

Each Director must comply with DA's Code of Conduct and other DA policies as notified to Directors from time to time.

### **6.3 Conflicts of interest**

Directors are required to advise DA of relevant interests and to ensure that any matter which could present a conflict of interest is advised to the Board.

### **6.4 Confidentiality**

Directors should address any matters of concern individually to the Chair or the Board. Any communication concerning sensitive or confidential matters to any other party should only occur with the prior knowledge of the Chair unless, in the judgment of the Director, extenuating circumstances require otherwise.

### **6.5 Access to Independent Professional Advice**

The Board, its Committees and each Director individually has the right to seek independent professional advice at DA's expense, provided that prior approval from the Chair has been sought and obtained.

### **6.6 Insurance and Indemnity**

Deeds will be entered into between each Director and DA recording arrangements on indemnification, insurance and access to Company documents and independent legal advice at DA's expense. If appropriate and at the Chair's discretion, any advice so received will be made available to all Directors.

## **7 Meetings**

- 7.1 The Board will generally meet monthly and Committees will meet as determined by their charter. All Directors are expected to attend meetings of the Board and also of any Committees on which they serve. Directors will also attend any Board Strategic Planning meetings.
- 7.2 Papers prepared for Board and Committee meetings are generally provided to Directors one week prior to the meeting.
- 7.3 The Chair of the meeting will allow free and open discussion of matters being considered.
- 7.4 Meetings shall be based on an agenda established at the commencement of each calendar year. While it is desirable that Board and Committee members attend meetings in person where possible, meetings can be attended via telephone or any other technology provided the requirements of the Constitution are met. Notably, under the Constitution a quorum for a Board meeting is one half of the Directors plus one where the number of Directors is an even number, and one half of the Directors rounded up to the nearest whole number where the number of Directors is an odd number.

## **8 Performance Evaluation**

- 8.1 The Board will undertake an internal evaluation of its performance on an annual basis. The evaluation will take account of its performance in relation to this charter and to ensure that it operates in line with accepted practice for Boards. Additionally, external reviews of the Board's performance will be conducted every 3 years.
- 8.2 Individual Director performance reviews will also be undertaken on an annual basis.
- 8.3 Additionally the performance of the Committees will be externally evaluated as part of the Board performance review required to be carried out every three years.

## **9 Publication**

This Charter will be published on the DA website and any amendments will be updated. A copy will be made available to members if requested.

## **10 Review of this Charter**

This Charter will be reviewed annually by the Board.