

Australian Wool Innovation Limited
ABN 12 095 165 558

BOARD CHARTER

Date approved by the Board: 17 March 2005

Contact

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Board Charter

1. Introduction

- 1.1 This Board Charter sets out the functions and responsibilities of the board of directors (**Board**) and of management of Australian Wool Innovation Limited ABN 12 095 165 558 (“AWI” or “the Company”) of the Company.

2. Responsibilities of the Board

- 2.1 In accordance with Rule 16.1 of the Company’s Constitution, the management and control of the business and affairs of the Company are vested in the Board. The AWI Board may exercise all powers and do all things as are within the power of the Company and are not required to be exercised or done by the Company in general meeting. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include:
- 2.1.1 building a portfolio of RDI programs and projects aimed at enhancing the long-term profitability of Australian wool growers;
 - 2.1.2 input into and the final approval of management’s development of corporate strategy and performance objectives;
 - 2.1.3 further developing planning processes, including the Company’s Strategic Plan;
 - 2.1.4 oversight of the Company, including its control and accountability systems;
 - 2.1.5 enhancing corporate governance systems and providing transparent, balanced and accurate reporting of Company activities to shareholders;
 - 2.1.6 reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
 - 2.1.7 appointing and, where appropriate, the removal of the Company Secretary or Company Secretaries;
 - 2.1.8 appointing and removing the CEO (or equivalent), including approving remuneration of the CEO and remuneration policy and succession plans for the CEO;
 - 2.1.9 approving the appointment and, where appropriate, the removal of the general managers reporting to the CEO (or equivalent);
 - 2.1.10 monitoring senior management’s performance and implementation of strategy, and ensuring appropriate resources are available;
 - 2.1.11 approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
 - 2.1.12 approving and monitoring financial and other reporting;

2.1.13 appointing any person as a director of the Company in accordance with Rule 13.2 of the Company's Constitution; and

2.1.14 ensuring the Company complies with all requirements under its Constitution, the Statutory Funding Agreement, the *Corporations Act 2001* and all other laws.

3 Composition of the Board

3.1 Size

In accordance with Rule 13.1 of the Company's Constitution the Board shall comprise between 5 and 10 directors.

3.2 Independent Directors

3.1.1 The majority of directors of the Company will be independent, non-executive directors and the Chairperson shall be an independent, non-executive director.

3.1.2 An independent director is a non-executive who is not a member of management and who the Board considers independent by reference to the following criteria (where applicable):

- (1) is not a substantial holder of voting entitlement in the Company or an officer of, or otherwise associated directly with a substantial holder of voting entitlement the Company (where "substantial" holder of voting entitlement means an AWI shareholder with 5% or more of the total number of votes attached to shares in the Company);
- (2) has not, within the last 3 years, been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- (3) has not, within the last 3 years, 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;
- (4) has no material contractual relationship with the Company or another group member other than as a director of the Company;
- (5) 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; and
- (6) 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.

3.2 Expertise

3.2.1 The Board shall ensure that, collectively, it has the appropriate range of expertise or has access to the appropriate range of expertise to properly fulfil its responsibilities, including in relation to:

- (1) the Australian wool growing industry;
- (2) the wool processing industry in Australia and overseas;
- (3) accounting and/or finance;
- (4) legal skills;
- (5) business; and
- (6) CEO-level experience.

3.2.2 The Board shall review the range of expertise of its members on a regular basis and ensure that it has or has access to operational and technical expertise relevant to the overview of the operations of the Company.

4 Appointment of Directors

4.1 Directors are appointed in accordance with the terms of the Company's Constitution and the Rules and Procedures governing the Election of Directors, which were adopted by the Board on 18 September 2003 and revised by the Board 17 March 2004.

4.2 The terms and conditions of the appointment and retirement of members of the Board will be set out in a letter of appointment, which shall include the following matters:

- (1) the term of the appointment, subject to member approval;
- (2) time commitments envisaged;
- (3) the powers and duties of directors;
- (4) any special duties or arrangements attaching to the position;
- (5) circumstances in which an office of director becomes vacant;
- (6) expectations regarding involvement with committee work;
- (7) remuneration and expenses;
- (8) superannuation arrangements;
- (9) the requirement to disclose directors' interests and any matters which affect the director's independence;
- (10) fellow directors;
- (11) induction, training and continuous education arrangements;

- (12) access to independent professional advice;
- (13) indemnity and insurance arrangements;
- (14) confidentiality and rights of access to corporate information; and
- (15) includes a copy of the Company's Constitution.

5. Independent Professional Advice

- 5.1 To facilitate independent judgement in decision making pertaining to the interests of AWI, each director has the right to seek independent professional advice at the Company's expense. However, prior approval from the Chairperson is required

6. Allocation of responsibilities

6.1 Chairperson

- (1) The Board elects the Chairperson in accordance with the Constitution. A deputy chairperson will also be elected.
- (2) The Chairperson will be an independent director and the roles of the Chairperson and the CEO may not be exercised by the same individual.
- (3) The position of Chairperson will be reviewed by the Board at the first Board meeting following the Annual General Meeting.
- (4) The Chairperson authorises the expenses the CEO.
- (5) The Chairperson's specific duties are to:
 - 5.1 chair Board meetings.
 - 5.2 establish the agenda for Board meetings in consultation with the CEO;
 - 5.3 ensure board minutes properly reflect board decisions;
 - 5.4 be the spokesperson for the Company at the Annual General Meeting;
 - 5.5 be the primary point of contact between the Board and the CEO;
 - 5.6 provide mentoring for the CEO and
 - 5.7 chair the CEO evaluation process through the Remuneration Committee;
 - 5.8 supervise the process of Board and director evaluation; and
 - 5.9 in accordance with the Constitution, have a casting vote.

6.2 Individual Directors

- (1) In accordance with statutory requirements and in keeping with the common law, directors have the following responsibilities:
 - (a) exercise their powers and discharge their duties in good faith and in the best interests of the Company as a whole;
 - (b) use their powers of office for a proper purpose and not for personal advantage or for the benefit of another party;
 - (c) use due care and diligence;
 - (d) make a reasonable effort to become and remain familiar with the affairs of the Company;
 - (e) attend all Board meetings and Board functions unless there are valid reasons for non-attendance; and

6.3 The CEO

- (1) The CEO is appointed by the Board.
- (2) The CEO is responsible for the ongoing management of the Company in accordance with the strategy, policies and programs approved by the Board.
- (3) The CEO's responsibilities include:
 - (a) developing with the Board, a consensus for the Company's vision and direction;
 - (b) constructing, with the Company's management team, programs to implement this vision;
 - (c) negotiating the terms and conditions of appointment of senior executives for Board approval;
 - (d) appointing the senior management team;
 - (e) endorsing the terms and conditions of appointment of all other staff members;
 - (f) providing strong leadership to, and effective management of, the Company in order to:
 - (i) encourage co-operation and teamwork; and
 - (ii) build and maintain staff morale at a high level; and
 - (g) ensuring a safe workplace for all personnel;
 - (h) ensuring a culture of compliance generally;

- (i) carrying out the day-to-day management of the Company;
 - (j) keeping the Board informed of all the activities of the Company;
 - (k) ensuring that the agenda and briefing materials for Board meetings are prepared and forwarded to directors in a timely and effective manner;
 - (l) authorises the expenses of the directors; and
 - (m) ensuring that all personnel act with the highest degree of ethics and probity.
- (4) The CEO is formally delegated by the Board to authorise all expenditures as approved in the budget, subject to:
- (a) all CEO remuneration, outside of normal monthly remuneration, must be authorised by the Chairperson;
 - (b) all business related expenses paid to the CEO must be authorised or ratified by the Chairperson; and
 - (c) while the Remuneration Committee must approve the terms and conditions of employees reporting to the CEO, the appointment of individuals to specific management roles is the responsibility of the CEO.

6.4 Company Secretary

- (1) The Company Secretary, or Company Secretaries if there is more than one, are generally responsible for carrying out the administrative and legislative requirements of the Board. The Company Secretary holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively.
- (2) The Company Secretary must be appointed in accordance with the Company's Constitution and the provisions of the *Corporations Act 2001*.
- (3) The specific tasks of the Company Secretary include:
 - (a) overseeing the Company's compliance program and ensuring all Company legislative obligations are met;
 - (b) supporting the CEO to ensure that the agenda and briefing materials for Board meetings are prepared and forwarded to directors in a timely and effective manner;
 - (c) recording, maintaining and distributing the minutes of all Board and Board Committee meetings as required;
 - (d) preparing for and attending all general meetings of the Company and ensuring that the correct procedures are followed;
 - (e) recording, maintaining and distributing the minutes of all annual and extraordinary general meetings of the Company;

- (f) meeting statutory reporting requirements in accordance with relevant legislation; and
- (g) any other services the CEO or Chairperson may require.

7. Committees

- 7.1 To assist with the execution of its responsibilities, the Board has the authority under the Company's Constitution to establish and determine the powers and functions of the committees of the Board. The Board has already established a Finance and Audit Committee, Remuneration and Appointments Committee, Intellectual Property and Commercialisation Committee and Falkiner Memorial Field Station Committee. Each Board committee is to document a charter, approved by the Board, setting out its responsibilities.

8. Codes of Conduct and Policies

- 8.1 The Board from time-to-time will approve the following policies and codes of conduct which will be prepared in accordance with ASIC and ASX guidelines and are generally accepted industry standards:
- 8.1.1 Code of Conduct – Directors and Officers
 - 8.1.2 Code of Conduct – Obligations to Stakeholders
 - 8.1.3 Strategic Plan
 - 8.1.4 Operations Plan
 - 8.1.5 Risk Management Plan
 - 8.1.6 Fraud Control Plan
 - 8.1.7 Intellectual Property Management Plan
 - 8.1.8 Schedule of Delegated Authority
 - 8.1.9 Communications Strategy with Stakeholders

9. Other AWI Corporate Governance Documents

- 9.1 AWI Constitution
- 9.2 Statutory Funding Agreement
- 9.3 Corporate Governance Policy
- 9.4 Code of Conduct – Obligations to Stakeholders
- 9.5 Board Charter
- 9.6 Code of Conduct – Directors and Officers

- 9.7 Charter of the Committees of the Board
- 9.8 Communications Strategy
- 9.9 Rules and Procedures governing election of Directors