

Forest and Wood Products Australia Limited

Board Charter (March 2016)

Introduction

Forest and Wood Products Australia Limited (FWPA) is an industry owned company whose objectives are to provide services to the forest and wood products industry particularly through research and development and promotion of the industry's products and services. FWPA operates within the framework of the Forestry Marketing and Research and Development Services Act 2007, the Corporations Act 2001, its Constitution and the Statutory Funding Agreement (SFA) with the Commonwealth Government.

The Board of FWPA acts on behalf of its members and the Commonwealth Government in overseeing and governing the company. In carrying out its responsibilities, the Board undertakes to serve the interests of its members and the Commonwealth Government as well as its employees honestly, fairly, diligently and in accordance with all applicable laws.

Role of the Board

The Board's role is to provide strategic guidance to the company within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the company's strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives and reviews management performance. The Board sets the company's values and standards and ensures that its obligations to its members and the government are understood and met.

The basic responsibility of the directors is to exercise their business judgement to act in what they reasonably believe to be in the best interests of the company. In discharging that obligation, directors are entitled to rely on the honesty and integrity of the company's executives and its external advisors and auditors.

The following **responsibilities** have been adopted by the Board:

- Formulate strategy and performance objectives in conjunction with management.
- Ensure there are adequate resources to implement the strategy.
- Approve strategic plans, business plans and budgets and monitor the financial and operational performance of FWPA against its strategy and key performance objectives.
- Appoint the Managing Director, monitor his/her performance and oversee succession planning.
- Review and ratify systems of risk management and internal controls, codes of conduct, delegation manuals and compliance with the SFA, the Constitution and applicable laws.
- Ensure open and transparent accountability to all stakeholders.

Board Composition

The Constitution requires that the Board comprise at least five and a maximum of nine directors including the Managing Director and two Non-Member directors. The Board's policy is to have at least eight directors at most times and to fill any vacancy as soon as practicable.

There is a range of skills, knowledge and experience to enable the Board to exercise its responsibilities effectively. The skill areas as required by the Constitution are:

- R&D, innovation, technology transfer and commercialisation of R&D outcomes, particularly in respect of forest and wood products.
- Production of forest and wood products.
- Marketing and promotion of forest and wood products, including product promotion and retail marketing.
- Commerce, including domestic and international market development and domestic and international trade.
- Conservation and management of natural resources.
- Business and financial management including legal issues and risk management.
- Public policy and administration.
- Corporate governance.

Directors are appointed for three year terms and, as required by the Constitution, at each annual general meeting one third of the directors retire. A retiring director is eligible for re-appointment, unless precluded by law, and there is a maximum of three terms that a director can serve. As required by the Constitution, a Director Selection Committee comprising representatives from the national representative bodies, a non retiring director of FWPA and at least one other suitably qualified person is formed annually to recommend nominations for the election of directors at each annual general meeting.

Director Independence

Directors are required to act independently at all times and ensure that any potential or actual conflict of interest and related party transactions are fully disclosed and managed in accordance with FWPA's conflict of interest of policy.

Remuneration of Directors

Fees for non executive directors are determined by resolution at a general meeting of members. These fee levels are set as an annual fixed amount and take into account relevant external benchmarking with similar organisations and general market data.

Board Committees

The Board may discharge its responsibilities through committees of the Board in accordance with the Constitution. There are four Board committees in place – Audit and Finance Committee, Remuneration and Human Resources Committee, Research and Development Investment

Committee and Promotion, Services and Communications Committee. Each of these committees has its own terms of reference which have been approved by the Board and they set out each committee's membership, responsibilities and reporting requirements to the Board. In each case, the committee comprises non executive directors of the Board.

In addition to the Board committees, there are Industry Advisory Groups chaired by a director and comprised of industry representatives – Market Access and Development Group, Wood Products Processing Group and Sustainability and Resources Group. Their purpose is to provide advice to FWPA on investment priorities and feedback on research proposals.

Board Meetings

Board meetings are generally held seven times per year including an annual planning session. Non executive directors are expected to have sufficient time available to attend Board meetings as well as relevant committee meetings and to effectively discharge their duties imposed by law.

A Board meeting may be held in person or by any means of audio-visual communication by which each director participating can hear and be heard by each other director participating. A Board meeting held solely or partly by technology is treated as held at the place at which the greatest number of the directors present at the meeting is located or, if an equal number of directors are located in each of two or more places, the place at which the Chairman of the meeting is located.

The Board elects a Chair at the first Board meeting following the annual general meeting and holds that office until the first board meeting following the next annual general meeting unless the Board elects another director to that position at an earlier time. In accordance with the resolution adopted at Board Meeting 55, any individual director will be limited to 4 successive terms of appointment as Chair.

The quorum for a Board meeting is a majority of directors, but not less than three directors, and a quorum must be present for the whole meeting.

A resolution of the Board must be passed by a majority of the votes cast by the directors present and entitled to vote on the resolution. If all directors entitled to receive notice of a Board meeting and to vote on the resolution sign a document containing a statement that they are in favour of the resolution set out in the document, a Board resolution in those terms is passed at the time when the last director signs.

Board Papers and Minutes of Meetings

Papers prepared for Board and Committee meetings are generally provided to directors seven days prior to a meeting in either hard copy or electronic form.

Minutes of Board and Committee meetings are circulated to the meeting Chairman for endorsement in draft form within 2 weeks of the meeting. The minutes are then to be approved at the next meeting of the Board or respective Committee.

Secretary

The Board appoints the Secretary who, in conjunction with the Chairman and Managing Director, is responsible for the preparation and distribution of Board agendas, papers and minutes. The Secretary is also responsible for advising on and maintaining appropriate governance standards for FWPA and ensuring compliance with the Constitution, the Statutory Funding Agreement and relevant legislation.

Board Performance Evaluation

To ensure the effective operation and continuous improvement of the Board, an evaluation of its performance is undertaken on a regular basis consistent with the policy approved by the Board. The policy outlines the manner and frequency of the performance evaluation.

Accountability

Given the compulsory nature of levy payments and the matching R&D funding provided by the Commonwealth Government, the Board recognises 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 that FWPA provides appropriate reporting of relevant information which demonstrates the benefits of its activities and that all queries are responded to in an effective manner.

Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant company information and to the company's management and, subject to prior consultation with the Chairman, may seek independent professional advice at the company's expense. A copy of the advice received by the director is made available to all other directors unless determined otherwise by the Chairman.

Review of the Charter

The Board reviews the charter annually to ensure it remains consistent with the Board's objectives and responsibilities.