

Forest and Wood Products Australia Limited

Conflict of Interest Policy

Introduction

The directors of Forest and Wood Products Australia Limited (FWPA) recognise the importance of identifying, declaring and dealing with any possible conflict of interest situation that could arise in their role as directors. Apart from conflict of interest that can arise in the normal course of business, it is particularly important given the role that many directors have in other sectors of the forest and wood products industry. Directors have a general duty to avoid any actual or potential conflict between their own interests and those of the company, and between their duty to the company and their duties to third parties. There is a potential conflict of interest where a reasonable person, looking at the relevant facts and circumstances, would consider there to be a real sensible possibility of conflict.

The Board has in place a process whereby relevant interests of all directors are disclosed on appointment and a Declaration of Directors' Interests table is provided with each set of Board papers.

Purpose

The purpose of this Conflict of Interest Policy is to ensure that the deliberations and decisions of the directors of FWPA are made in the interests of the Australian forest and wood products industry as a whole (rather than in the interests of any individual) and to protect the interests of FWPA and its members.

Directors will, at all times on FWPA business, give primacy to the interests of FWPA, and will not allow their personal interests, or the interests of any associated person, to conflict with those of the company.

In accordance with the *Corporations Act 2001*, directors must disclose all direct or indirect material interests in matters that relate to the affairs of FWPA. All disclosures must be recorded in a standing disclosure and where relevant in the minutes of the Board meeting. In these circumstances the Secretary in consultation with the Chairman should consider whether the relevant Board papers not be distributed to a director with a material interest. Where there is a material conflict of interest in a matter being discussed at a Board meeting, directors must ensure their interest is disclosed to the meeting and must not be present or take part in any deliberation or decision in relation to the matter.

As a consequence, guidelines regarding material personal interest have been drawn up to guide directors in recognising and dealing with potential conflict of interest situations.

This policy is for use by directors and deals specifically with their role. It is intended as a supplement to the Code of Conduct and used in conjunction with FWPA's Director's Consent and Disclosure Form which is completed at the time of acceptance of the role on the board of FWPA.

Procedure

As a director of FWPA, you must disclose to the Board any material personal interest you have in a matter that relates to the affairs of FWPA.

These guidelines are intended to help you determine:

- a) whether you have a 'personal interest' in a matter being considered by the Board; and
- b) if so, whether that personal interest is 'material'.

These guidelines are a guide only. They are not intended to be an exhaustive list of factors that may give rise to a material personal interest. The circumstances of each particular situation need to be considered in determining whether a 'material personal interest' exists.

Do you have a 'personal interest' in the matter?

The following guidelines are intended to help you form a view as to whether you have a personal interest in a matter being considered by the FWPA Board.

- You will have a personal interest in any matter which gives rise to the potential for some specific benefit or detriment to accrue to you in relation to that matter.
- You could have a personal interest by reason of a benefit or detriment accruing to a relative or close associate.
- Your personal interest may be either 'direct' or 'indirect' (e.g. a payment to you, or a payment to a company owned by you).
- Your personal interest may not be a financial or pecuniary interest, though in many cases it is likely to be so. The interest can arise from your relationship with a third party who may benefit from or be positively or negatively affected by a decision of the FWPA Board (e.g. a decision to defer the implementation of a new policy that will adversely affect you or your associates).
- At this stage, it is helpful to refrain from considering the extent of the interest or the probability of the interest materialising (as these are questions of materiality considered below).

Is your personal interest 'material'?

Note that you are only legally required to disclose a 'material' personal interest and not all personal interests. The following guidelines are intended to help you form a view as to whether your personal interest in a matter before the FWPA Board is 'material'.

Determining whether your personal interest is material involves an assessment of the extent to which, or probability that, your personal interest would or could be seen to affect your decision making in relation to that matter in your capacity as a director of FWPA. Where there is a 'real' and 'substantial' capacity for your decision making to be affected, or a perception that your decision making may be affected by the interest, your personal interest will be material.

When making this assessment, you should take the following into consideration:

- the type of the interest (e.g. financial/pecuniary, reputational, social/emotional);

- to whom would the potential benefit or detriment accrue? (e.g. would it affect you, your relative(s), or your close associate(s));
- the nature and remoteness of your interest (e.g. if you stand to profit from the Board's decision, this would be more likely to be material than if you had a small minority shareholding in another company which may profit from that decision);
- the extent to which your personal interest could be expected to be affected by the action being considered by the Board (e.g. if the Board's decision is likely to result in you personally receiving the benefit of a \$1 million contract, this would be more likely to be material than a decision that would be likely to result in you receiving a marginally higher dividend from a company of which you are a small shareholder awarded that same contract); and
- in situations where the action being considered by the Board theoretically could, but in all probability would not result in a benefit or detriment to you — the probability or likelihood of such a benefit or detriment occurring.

It may be difficult to determine whether your own personal interests are in fact 'material'. Breach of the legal obligation you owe to FWPA as a director is a serious matter and can expose you to criminal prosecution or action to recover any losses suffered by FWPA or profits you might make. Accordingly you should consider taking a conservative approach to disclosing your personal interests to the FWPA Board and deciding not to participate, or to allow the Board to collectively advise whether it considers the interest to be material. (Note that if the interest is material then a view of the Board that it is not material does not change the true position.)

The Board is able to consider the materiality of a disclosed personal interest (including in the presence of the director who has disclosed the interest) and to determine whether it is material. These discussions and the board's determination should (and, if the conclusion is that the director does have a material personal interest, must) be minuted. Where the Board considers that the director does have a material personal interest, the requirements of the Corporations Act (e.g. restrictions on participation and voting) will apply. An outline of these Corporations Act requirements (section 195) is contained in Attachment 1.

The Corporations Act (section 191) also provides for exceptions whereby a director does not need to give notice of an interest. These provisions are outlined in Attachment 2.

Monitoring

A Declaration of Directors' Interests table is maintained and updated regularly. However if a Director becomes aware at any time that information on the Declaration concerning the Director's interests is out of date or incomplete the Director must immediately update the Declaration.

Review of the Policy

The Board reviews the Conflict of Interest Policy annually to ensure it remains consistent with the Board's objectives and responsibilities.

Conflict of Interest and Voting at Meetings

Section 195(1) of the Corporations Act provides that a director of a public company, who has a material personal interest in a matter that is being considered at a directors' meeting must not:

- a) be present while the matter is being considered at the meeting; or
- b) vote on the matter,

unless the interest does not need to be disclosed under section 191 e.g. if the interest is not material or falls within one of the exceptions.

Section 195(2) provides that a director may be present and vote at a directors' meeting if other directors who do not have a material personal interest in the matter have passed a resolution that:

- a) identifies the director, the nature and extent of the director's interest, and its relation to the affairs of the company; and
- b) states that the other directors are satisfied that the interest should not disqualify the director from voting or being present.

Exceptions to Notice of Interest

Section 191 (2) of the Corporations Act provides that a director does not need to give notice of an interest where that interest:

- a) arises because the director is a member of the company and is held in common with other members of the company; or
- b) arises in relation to the director's remuneration as a director of the company; or
- c) relates to a contract the company is proposing to enter into that is subject to approval by the members and will not impose any obligation on the company if it is not approved by the members; or
- d) arises merely because the director is a guarantor or has given an indemnity or security for all or part of a loan (or proposed loan) to the company; or
- e) arises merely because the director has a right of subrogation in relation to a guarantee or indemnity referred to in paragraph d); or
- f) relates to a contract that insures, or would insure, the director against liabilities the director incurs as an officer of the company (but only if the contract does not make the company or a related body corporate the insurer); or
- g) relates to any payment by the company or a related body corporate in respect of an indemnity permitted under section 199A or any contract relating to such an indemnity; or
- h) is in a contract, or proposed contract, with, or for the benefit of, or on behalf of, a related body corporate and arises merely because the director is a director of the related body corporate.