



CHARTER OF THE COMMITTEES OF THE BOARD POLICY

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AUSTRALIAN WOOL INNOVATION LIMITED

**CHARTER OF
THE COMMITTEES OF THE BOARD**

NOVEMBER 2018

CONTENTS

1. Introduction
2. Composition
3. Meetings
4. Authority
5. Responsibilities
6. Reporting
7. Review

Schedule 1 Finance and Audit Committee

Schedule 2 Remuneration and Appointments Committee

Schedule 3 Science and Welfare Committee

Schedule 4 Stakeholder Engagement Committee

1. INTRODUCTION

- 1.1 This Charter governs the roles, responsibilities, composition and membership of the sub-committees (**Committees**) of the board of directors of the Company (**Board**).
- 1.2 The operation of the Committees is also governed, where applicable, by the Constitution of the Company.
- 1.3 The Board has established a Finance and Audit Committee, a Remuneration and Appointments Committee, Science and Welfare Committee and a Stakeholder Engagement Committee.
- 1.4 The Board will establish additional Committees and disband existing Committees as required and as the Board sees fit for the good corporate governance of the Company.
- 1.5 The role of each Committee is set out in Item 1 of each of Schedules 1 -4.

2. COMPOSITION

2.1 Members

- 2.1.1 Members of the Committees will be non-executive directors. Each will have a minimum of three members. Directors serving on the Committees should have diverse, complementary backgrounds.
- 2.1.2 The members of the Committees will be appointed and removed by the Board as the Board sees fit and for the good corporate governance of the Company.
- 2.1.3 The Board will appoint a chairperson to each Committee. In the case of the Finance and Audit Committee, the Chairperson must not be the Chair of the Board.
- 2.1.4 The Company Secretary will act as secretary of each Committee.

2.2 Expertise

- 2.2.1 The specific expertise required of the members of each of the Committees is set out in Item 2 of each of Schedules 1-4.
- 2.2.2 Members of each Committee must have an understanding of the general principles of corporate governance and in particular the Corporate Governance Principles and Recommendations published by the Australian Stock Exchange Limited.

3. MEETINGS

3.1 Frequency

- 3.1.1 The Committees will meet as frequently as required but must, at a minimum, meet twice in each financial year.
- 3.1.2 The Company Secretary must call a meeting of a Committee if requested to do so by any Director member of the Committee.

3.2 Agenda and Notice

- 3.2.1 Management will be responsible for drawing up the agenda (supported by any necessary explanatory documentation), and will consult with respective Committee chairpersons on this. The Company Secretary will be responsible for circulating it to Committee members prior to each meeting. The Company Secretary must notify members of the Committee of the date, time and location of the Committee meetings as far in advance as possible before the meeting but not less than five (5) business days, unless a shorter period is consented to by all members of the Committee.

3.3 Quorum

- 3.3.1 A quorum for Committee meetings will be at least two members, save that one of the members of the quorum must be an independent Director.

3.4 Minutes

- 3.4.1 The Company Secretary is responsible for taking minutes of each meeting and distributing them to Committee members as soon as practicable.
- 3.4.2 The minutes will be kept in the same manner and to the same standard as the minutes for Board meetings.

3.4.3 Each Director of the Company is entitled to a copy of the minutes of any Committee meeting upon request.

3.5 Attendance

3.5.1 Each Committee may invite any person to attend part or all of any meeting of the Committee as it considers appropriate. Formulation of recommendations and voting at Committee meetings is restricted to Committee members.

3.5.2 Each Director of the Company may attend any Committee meeting as an observer.

3.6 Use of technology

3.6.1 A Committee may meet either in person or by telephone, audio-visual link or by using any other technology consented to by all the Committee members.

4. AUTHORITY

4.1 Each Committee has the authority to:

4.1.1 conduct investigations into any matters within its scope of responsibility;

4.1.2 request and receive such information from the Company Secretary and from management, through the CEO, as is necessary to support informed decision-making;

4.1.3 seek other information and advice as set out in Item 3 of each of Schedules 1, 2 and 3.

5. RESPONSIBILITIES

The Committees are responsible for assisting the Board to fulfill its overseeing responsibilities, providing advice and recommendations to the Board on the matters for which each Committee is responsible. The specific responsibilities of each Committee are set out in Item 4 of each of Schedules 1-4.

6. REPORTING

- 6.1 Each Committee must report to the Board at the first Board meeting subsequent to each Committee meeting regarding material matters and recommendations relevant to the Committee's duties and responsibilities.
- 6.2 Each Committee must report to the Board at any time that the Board requests such a report.
- 6.3 Each Committee must provide the Board with advice and recommendations regarding the appropriate material and disclosures relating to the Committee's area of responsibility, to be included in the Annual Report.
- 6.4 Each Committee will review and report annually to the Board on the execution of the Committee's duties and responsibilities and make any necessary recommendations to the Board for changes to the Committee's Charter.
- 6.5 Committee reports must also address any specific reporting requirements set out under their responsibilities in Item 4 of each of Schedules 1-4.

7. REVIEW

- 7.1 This Charter will be reviewed from time to time by the Board and updated as required.

SCHEDULE 1

FINANCE AND AUDIT COMMITTEE

1. Role

- 1.1 The role of the Finance and Audit Committee is to assist the Board with its responsibilities in relation to:
 - 1.1.1 The integrity of the Company's financial reporting
 - 1.1.2 Compliance with legal and regulatory requirements
 - 1.1.3 The effectiveness of financial controls and risk management systems
 - 1.1.4 The effectiveness of the internal audit function
 - 1.1.5 The engagement and performance of the external auditor
 - 1.1.6 The management of intellectual property
 - 1.1.7 Commercialisation of Research and Development outcomes

2. Expertise

- 2.1 Each member of the Finance and Audit Committee must be able to read and understand financial statements.
- 2.2 At least one member of the committee is to have financial qualifications or experience in business and company finance.
- 2.3 Each member should understand the nature of intellectual property and its value to the Company.
- 2.4 The Committee may at any time at the Company's expense call upon for technical advice from an independent professional adviser or advisers.

3. Authority

- 3.1 In addition to the authorities set out in item 4 of the Charter of The Committees of the Board, the Finance and Audit Committee has the authority to:
 - 3.1.1 Subject to the agreed protocol, require the attendance of any Company manager or staff member at meetings, as appropriate

- 3.1.2 Have unrestricted access to management, employees and information deemed relevant to its responsibilities under this Charter, through the CEO or Company Secretary, as appropriate.
- 3.1.3 Seek independent professional advice at the Company's expense without the prior approval of the Chairman of the Board if the Committee deems that the circumstances warrant such action. In all other circumstances prior approval of the Chairman of the Board is required, in accordance with Part 7 of the Board Charter.

4. Responsibilities

The Finance and Audit Committee is responsible for providing the Board with advice and recommendations and fulfilling the following specific responsibilities:

4.1 Integrity of the Company's Financial Reporting

- 4.1.1 Understand relevant statutory and regulatory finance and accounting standards and reporting requirements and ensure that they are complied with at all times.
- 4.1.2 Review and, where necessary, challenge management in relation to financial reports.
- 4.1.3 Regularly review accounting policies and recommend any necessary changes.
- 4.1.4 Regularly update the Board to ensure that it is aware of matters that may affect the financial position of the Company and make recommendations as required.
- 4.1.5 Review financial statements for accuracy, adequacy and clarity, ensuring that they reflect a true and fair view as a basis for recommending to the Board for adoption.
- 4.1.6 Review the effectiveness and efficiency of management processes for delivery of external reports to the Committee and recommend changes if necessary.
- 4.1.7 Review financial and other reports on behalf of the Board providing advice and recommendations as necessary
- 4.1.8 Recommend the signing, by the Board, of the Company's Annual Report, the Director's Report and Director's Declaration.

4.2 Compliance with Legal and Regulatory Requirements

- 4.2.1 Understand relevant statutory, regulatory and constitutional requirements and ensure that they are complied with at all times.
- 4.2.2 Review the effectiveness of systems for monitoring compliance with statutes, regulations, policies and standards and the results of management's investigation of fraudulent or other non-compliant acts.
- 4.2.3 Review with the Company's Legal Counsel, legal compliance and legal matters that could have a significant impact on the Company.
- 4.2.4 Oversee, periodically review and, where necessary, update the Company's Code of Conduct and the systems for monitoring compliance and enforcing the Code.
- 4.2.5 Review policies and procedures for identifying, analysing and addressing complaints, review significant complaints and their resolution.

4.3 The effectiveness of financial controls and risk management systems

- 4.3.1 Ensure that systems are in place to identify, minimise and manage financial risks and that those systems are working effectively.
- 4.3.2 Ensure that systems are in place to identify, minimise and manage business and legal risks and that those systems are working effectively.
- 4.3.3 Ensure that the Company has appropriate insurance coverage in place for all matters for which the Company is legally obligated to insure, along with all other matters considered to be of significant risk to the Company.
- 4.3.4 Ensure that management has implemented recommendations made by internal and external audit.
- 4.3.5 Review policies for the prevention of fraud, their implementation and effectiveness.

4.4 The effectiveness of the internal audit function

- 4.4.1 Review and approve the appointment and dismissal of senior internal audit executives or internal audit contractors.
- 4.4.2 Review the proposed internal audit plans and areas of risk and recommend the scope of the internal audit for Board approval.

- 4.4.3 Review the activities and structure of the internal audit to ensure that audit function is adequately resourced and that there are no unreasonable management or other restrictions placed on the auditors.
- 4.4.4 Ensure that significant findings and recommendations made by internal audit and management responses thereto are received, considered and acted upon in an appropriate manner.
- 4.4.5 Meet separately with the senior internal audit executives or internal audit contractors to discuss items that the committee or the auditor would like to discuss.
- 4.4.6 Ensure that the internal audit function has all necessary access to management and, if necessary, the Chairman, to seek and provide explanations and information.
- 4.4.7 Review the results and effectiveness of the internal programs.
- 4.4.8 Ensure that the internal audit function is independent of the external auditor.

4.5 The engagement and performance of the external auditor

- 4.5.1 Provide the Board with advice and recommendations in relation to all aspects of the external audit function.
- 4.5.2 Review procedures for the selection and appointment of external auditors.
- 4.5.3 Recommend the appointment, remuneration and terms of engagement of the external auditors.
- 4.5.4 Recommend the scope of the external audit for Board approval.
- 4.5.5 Review and provide oversight of audit reports prepared and issued by the external auditors.
- 4.5.6 Ensure that no unreasonable management or other restrictions are placed on the external auditors.
- 4.5.7 Review the external audit report and ensure management properly addresses the external auditor's recommendations.
- 4.5.8 Determine what non-audit services are to be provided by the external auditor or the external audit company, and ensure that these services do not compromise the auditors' independence.
- 4.5.9 Review and provide recommendations on the rotation of the external audit company partners.

4.5.10 Review the performance and independence of the external auditors.

4.6 The management of intellectual property

4.6.1 Review and contribute to the development of intellectual property policy.

4.6.2 Review intellectual property agreements and ensure they maximise the commercialisation of the Company's intellectual property.

4.6.3 Ensure that intellectual property is valued in accordance with relevant Australian Accounting Standards.

4.7 Commercialisation of Research and Development outcomes

4.7.1 Provide specialist financial input into the evaluation of financial benefits from Research and Development and innovation projects in order to maximise commercial success.

SCHEDULE 2

REMUNERATION AND APPOINTMENTS COMMITTEE

1. Role

1.1 The role of the Remuneration and Appointments Committee is to assist the Board in fulfilling its responsibilities by providing the Board with advice and recommendations in relation to:

- 1.1.1 Remuneration policy;
- 1.1.2 Key executive appointments and succession planning;
- 1.1.3 The review of Organisational Performance; and
- 1.1.4 Workplace relations matters.

2. Expertise

2.1 Members of the Remuneration and Appointments Committee must have an appropriate level of understanding of:

- 2.1.1 Workplace relations laws and contract law generally;
- 2.1.2 The complexities involved in determining executive remuneration packages and negotiating terms and conditions of employment; and
- 2.1.3 The disclosure requirements under the Corporations Act 2001 and other legal compliance requirements relating to executive and director remuneration.

3. Authority

3.1 In addition to the authorities set out in item 4 of the Charter of The Committees of the Board, the Remuneration and Appointments Committee has the authority to:

- 3.1.1 meet with the Company's remuneration and appointments advisers, in the absence of management but not necessarily in the absence of the Secretary as often as required; and
- 3.1.2 seek independent professional advice at the Company's expense with prior approval from the Chairman of the Board required, in accordance with Part 7 of the Board Charter.

4. Responsibilities

The Remuneration and Appointments Committee is responsible for providing the Board with advice and recommendations and fulfilling the following specific responsibilities:

4.1 Remuneration Policy

- 4.1.1 Provide advice and recommendations on non-executive directors fee based remuneration in accordance with Company policy.
- 4.1.2 Ensure that the Company's remuneration and incentive policies, practices and performance indicators are aligned to the Board's vision, values and overall business objectives.
- 4.1.3 Develop an executive remuneration policy aimed at attracting, motivating and retaining senior executives.
- 4.1.4 Ensure that the remuneration policy demonstrates a clear relationship between individual performance and that of the Company.
- 4.1.5 Ensure that the level and composition of remuneration packages is fair, reasonable, adequate and aligned with market trends.
- 4.1.6 Review and provide recommendations on proposed remuneration packages for executive directors and senior executives.
- 4.1.7 Review the CEO's recommendations regarding remuneration for staff.
- 4.1.8 Review and recommend any bonus, incentive plans or ex-gratia payments for the CEO or senior executives.
- 4.1.9 Recommend termination and redundancy policies and payments to senior executives.
- 4.1.10 Review significant employee grievances.
- 4.1.11 Regularly review remuneration policy and other related policies and recommend any necessary changes.

4.2 Key Appointments and Succession Planning

- 4.2.1 Recommend the appointment and removal of the CEO (or equivalent) and other key executives.

- 4.2.2 Review executive development programs, providing advice to the Board where necessary
- 4.2.3 Review succession plans for senior executives on a regular basis to maintain an appropriate balance of skills, experience and expertise in the management of the Company, providing advice to the Board accordingly.

4.3 The review of Organisational Performance

- 4.3.1 Develop and recommend the CEO KPIs to the Board, and ensure there is a proper process in place for Board review of CEO performance.
- 4.3.2 Recommend to the Board the payment of any annual bonus components of the CEO's salary.
- 4.3.3 Ensure that the Company has in place an effective staff performance review process which displays a clear relationship between individual performance and that of the Company.

4.4 Workplace relations matters

- 4.5.1 Workplace policies and procedures relating to employees and contractors.
- 4.5.2 Recruitment, retention, termination and other workplace relations issues.

4.6 Compliance with Legal and Regulatory Requirements

- 4.6.1 Understand relevant statutory and regulatory requirements relating to workplace relations including Occupational Health and Safety, and ensure that they are complied with at all times.
- 4.6.2 Review with management the effectiveness of systems for monitoring compliance with statutes, regulations, policies and standards relating to workplace relations and report the results to the Board.

SCHEDULE 3

SCIENCE AND WELFARE COMMITTEE

1. Role

1.1 The role of the Science and Welfare Committee is to assist the Board in fulfilling its responsibilities by providing the Board with advice and recommendations in relation to:

- 1.1.1 The Company's policy and direction on research and development;
- 1.1.2 The Company's investment in on-farm research and development programs;
- 1.1.3 The development of on-farm research and development programs and projects;
- 1.1.4 The implementation and effectiveness of on-farm research and development programs and projects;
- 1.1.5 The implementation and maintenance of a governance framework which meets the requirements of relevant legislation and animal research and welfare codes.

2. Expertise

- 2.1. Members of the Science and Welfare Committee must have a good understanding of methodologies, practices and standards applied to research, development and delivery of required outcomes.
- 2.2. Members must have a commitment to best practice research and development for the benefit of the Australian wool industry.

3. Authority

- 3.1 In addition to the authorities set out in item 4 of the Charter of The Committees of the Board, the Science and Welfare Committee has the authority to:
 - 3.1.1 seek independent professional advice at the Company's expense with prior approval from the Chairman of the Board required, in accordance with Part 7 of the Board Charter.

4. Responsibilities

The Science and Welfare Committee is responsible for providing the Board with advice and recommendations and fulfilling the following specific responsibilities:

- 4.1 Provide input into and guide development of the Company's policy and direction for on-farm research and development.
- 4.2 Recommend to the Board the level of investment in on-farm R and D programs to ensure an integrated approach to delivering the required outcomes.
- 4.3 Oversee the process for the commissioning of research and/or inviting research groups to submit proposals.
- 4.4 Oversee the process for evaluating the merit of proposed and current projects in accordance with best practice principles to ensure that they meet the Company's objectives.
- 4.5 Recommend to the Board the allocation of research resources and funding for the Company's on-farm R and D program and for specific projects.
- 4.6 Oversee the implementation of the Company's on-farm R and D program program and report progress to the Board ensuring risks to the Company are identified and managed and that value for money is provided.
- 4.7 Maximise commercial success and adoption from on-farm R and D and innovation projects for the benefit of shareholders.
- 4.8 Oversee the implementation of and compliance with a governance framework which meets the requirements of relevant legislation and animal research and welfare codes.
- 4.9 Ensure that the highest ethical standards are maintained in the development and implementation of the Company's on-farm R and D programs and projects.
- 4.10 Identify the research needs of wool growers, wool users and the wool pipeline and, where appropriate, address these needs in the Company's on-farm R and D program.
- 4.11 Review and approve communications and publications to be released by the Company or by co-funded bodies in terms of the publications policy.

SCHEDULE 4

STAKEHOLDER ENGAGEMENT COMMITTEE

1. Role

1.1 The role of the Stakeholder Engagement Committee is to assist the Board in fulfilling its responsibilities by providing the Board with advice and recommendations in relation to:

1.1.1 Provide Direction on Stakeholder relations.

1.1.2 Provide advice and direction regarding company policies for Stakeholder communications and public and shareholder relations.

1.1.3 Implementation and maintenance of an appropriate framework for Stakeholder engagement.

1.1.4 Development of strategies to enlist greater engagement and collaboration with its Stakeholders. (See Appendix describing

Stakeholders)

1.1.5 Provide advice and recommendation on a framework and processes for monitoring and improving Stakeholder perceptions and satisfaction.

2. Expertise

2.1. Members of the Stakeholder Engagement Committee must have a good understanding of corporate governance, industry Stakeholder/shareholder relations and media and communications.

2.2 Members must have a commitment to best practice outcomes for the benefit of the Company and Australian wool industry.

3. Authority

3.1 In addition to the authorities set out in item 4 of the Charter of The Committees of the Board, the Stakeholder Engagement Committee has the authority to seek independent professional advice at the Company's expense with prior approval from the Chairman of the Board required, in accordance with Part 7 of the Board Charter.

4. Responsibilities

The Stakeholder Engagement Committee is responsible for providing the Board with advice and recommendations and fulfilling the following specific responsibilities:

- 4.1 Provide input into and guide development of company policy and direction of Stakeholder relations and engagement.
- 4.2 Make recommendations to the board on the level of investment in Stakeholder relations and engagement.
- 4.3 Receive reporting from management responsible for Stakeholder relations and engagement, and make recommendations as needed to the board.
- 4.4 Input into develop of events calendar, including director presence for new Stakeholder collaboration framework, and receive feedback reporting.
- 4.5 Review Stakeholder communications strategy.
- 4.6 Review processes for conduct of proceedings at Stakeholder meetings, including annual general meetings.
- 4.7 Monitoring of media issues pertaining to Stakeholder relations and reporting to the board.
- 4.8 Reporting to the board ongoing relations with government, shareholders and Stakeholders
- 4.9 Review strategy to maximise engagement with levy payers to become shareholders

APPENDIX:
DESCRIPTION OF STAKEHOLDER GROUPS

1. **Shareholders and Levy Payers**
2. **Government (including Minister and Department)** – single largest stakeholder; policy makers; statutory requirement to report back
3. **Agri-political groups** (eg. state farm organisations, AWGA, WoolProducers) – some claim to have sizeable grower membership, able to exert considerable political pressure on government, voices dominate the media
4. **Breed specific groups** (eg. superfines, state/national stud Merino breeders, broad wool breeds) – not agri-political, not vocal in the media on industry issues, access to niche/specific groups of growers, focused on issues relevant to group
5. **Woolgrower production/R&D groups** (eg. MerinoLink, Liebe Group, Birchip Cropping group etc) - not agri-political, not vocal in the media on industry issues, access to growers at local level, focused on local/regional R&D issues
6. **Wool industry organisations** (eg. AWEX, AWTA, NCWSBA) – connections with industry stakeholders that have considerable contact/influence with growers (eg. brokers)



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