



Australian Agricultural Company Limited
ABN 15 010 892 270

BOARD CHARTER

Amended 24 January 2012

First approved by the Australian Agricultural Company Limited Board on 18 June
2004

Last amendment approved by the Australian Agricultural Company Limited
Board on 24 January 2012

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1. Purpose of Board Charter

The Australian Agricultural Company Limited (“AAco”) is a listed public company.

The responsibilities of the Board of Directors of the Australian Agricultural Company Limited (“AAco Board”) includes corporate governance for the Australian Agricultural Company Limited and its subsidiary companies.

The purpose of the Board Charter is to clarify and promote high standards of corporate governance across AAco and its subsidiaries. The Board Charter provides a basis for the good governance of AAco and operates in conjunction with the Constitution of AAco, the Corporations Act and other relevant laws.

2. AAco Board Roles

2.1 Role of the AAco Board

The AAco Board is responsible to the shareholders for the overall direction, performance and governance of AAco. The role of the Board includes the following:

- Providing strategic direction to AAco and monitoring management’s performance within that framework;
- Appointing and removing the Chief Executive Officer (“CEO”) and approving succession plans for the senior executive team;
- Approving senior management remuneration policies and practices;
- Reporting to shareholders and ensuring that all regulatory requirements are met;
- Ensuring that AAco has appropriate corporate governance and compliance frameworks in place and that AAco’s business is conducted ethically and transparently;
- Approving policies governing the operations of AAco;
- Approving and monitoring financial performance, capital management and the determination of dividend payments;
- Approving and monitoring the progress of business objectives;
- Assume risk management responsibilities for the company;
- Providing advice and counsel to management on a periodic and ad hoc basis;

- Decision-making in relation to initiatives or matters not otherwise dealt with as part of the strategy process e.g. major acquisitions and disposal of property;
- Ensuring that the Board is and remains appropriately skilled to meet the changing needs of the company; and
- Comply with governance guidelines formulated by the company.

Transactions or decisions that specifically require approval by the Board are shown in Appendix A to the Board Charter (attached).

2.2 Role of the AAco Chairman

The Chairman of AAco is an independent non-executive director.

The Chairman's responsibilities include:

- Providing the appropriate leadership to the Board in fulfilling its duties to the shareholders and AAco;
- Ensuring there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;
- Facilitating effective Board discussions to ensure the core issues facing AAco are appropriately addressed;
- Ensuring effective communication with shareholders; and
- Maintaining regular dialogue and a mentor relationship with the CEO.

2.3 Role of the CEO

The CEO is responsible to the Board for the overall management and performance of AAco. The CEO manages the organisation in accordance with the strategy, plans and policies approved by the Board to achieve the agreed goals.

Specifically, the CEO is responsible for:

- The efficient and effective operation of AAco and its subsidiary companies;
- Ensuring the Board is provided with honest, accurate and clear information in a timely manner to promote effective decision-making by the Board; and
- Ensuring all material matters affecting AAco and its subsidiary companies are brought to the Board's attention.

2.4 Role of the Secretary

The Company Secretary will be the Secretary of the Board.

2.5 Role of Individual Directors

2.5.1 Participation in Board Meetings

Directors have a duty to question information, raise any issue which is of concern to them, fully canvas all aspects of any issues confronting AAco and cast their vote on any resolution according to their own judgement. Outside the Boardroom, Directors are expected to support the letter and spirit of Board decisions.

Confidential information received by a Director in the course of the exercise of his or her duties as a Director remains the property of AAco and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been properly authorised, or is required by law.

2.5.2 Legal Obligations

In accordance with legal and statutory requirements, Directors will:

- Discharge their duties in good faith and act honestly in the best interests of AAco with the level of skill and care expected of a Director of a major company;
- Owe their primary fiduciary duty to AAco using the powers of office for proper purpose, in the best interests of AAco with the level of skill and care expected of a Director of a listed Australian company;
- Act with the required level of care and diligence, demonstrating commercial reasonableness in their decisions;
- Disclose conflicts of interest (refer Section 2.5.3);
- Act for the benefit of AAco at all times;
- Not make improper use of information gained through their position as a Director;
- Not take improper advantage of the position of Director;
- Not allow personal interests, or the interest of any associate, to conflict with the interests of AAco;
- Make reasonable enquiries to ensure that AAco is operating efficiently, effectively and legally towards achieving its goals; and
- Undertake diligent analysis of all proposals placed before the Board.

Directors decide what matters are delegated to management and must ensure that adequate controls are in place to oversee the operation of these delegated powers.

Non-executive Directors do not participate in the day-to-day management of AAco. Consequently representations or agreements with suppliers, customers, employees, consultants, professional firms or other parties or organisations are made by management unless such an authority is explicitly delegated by the Board, to the Director, either individually or as a member of a committee.

2.5.3 Conflict of Interest

It is expected that Directors will be sensitive to conflicts of interest that may arise. Directors must:

- Disclose to the Board any actual or potential conflicts of interest that may exist or might reasonably be thought to exist as soon as the situation arises;
- If deemed desirable by the Board or the Director, take such steps as are necessary and reasonable to resolve any conflict of interest within an appropriate period; and
- Comply with the *Corporations Act 2001* provisions about disclosing interests and restrictions on voting.

In certain circumstances it may be desirable for Directors to absent themselves from the room when the Board discusses matters about which the conflict relates. The Board will resolve the appropriate action at the time of the disclosure.

It is expected that Directors will inform the Chairman of any proposed Board or executive appointments they are considering undertaking that could conceivably result in a conflict. Directors will advise AAco of appointments to other companies as soon as practicable after the appointment is made.

The same requirement will exist for related party transactions. Related party transactions should be reported in writing to the Company Secretary and, where appropriate, raised for consideration at the next Board meeting.

2.5.4 Access to Information

Directors are encouraged to access members of the senior management team at any time to request relevant information in accordance with the protocols adopted by the Board from time to time.

2.5.5 Code of Conduct

AAco has adopted a Code of Conduct outlining the standards of personal and corporate behaviour required of all officers and employees. The Code reinforces an already strong ethical culture for the benefit of all stakeholders and applies to Directors.

A copy of the Code of Conduct is provided to all Directors and employees when they join AAco.

2.5.6 Directors Code of Conduct

AAco has adopted a Directors Code of Conduct outlining the additional standards of personal and corporate behaviour required of all Directors.

AAco Directors must adhere to both the Code of Conduct and the Directors Code of Conduct.

A copy of the Directors Code of Conduct is provided to all Directors when they join the AAco Board.

2.5.7 Dealing with External Stakeholders

Communication with the media and the investment community on AAco related issues will be undertaken by the CEO, the Chairman, the Chief Financial Officer ("CFO") or the Company Secretary. Non-executive Directors are not expected to become involved with the media or the investment community on AAco affairs in the normal course of business.

The Board will meet with AAco's bankers on an annual basis.

3. AAco Board Structure

3.1 Board Composition and Size

The Directors determine the size of the Board, with reference to:

- the Constitution, which provides that there will be a minimum of three Directors and a maximum of nine Directors; and
- the Corporations Act.

The company in general meeting may by resolution increase or reduce the number of Directors.

The Board of AAco is made up of a majority of independent non-executive Directors. The Chairman of the Board will be non-executive and independent of the role of the CEO. The Board will determine whether or not a director is independent. For the purposes of making a determination as to whether a director is independent, the Board will consider, amongst other things, the criteria set out in Appendix B to the Board Charter.

3.2 Appointment of New Directors

The full AAco Board considers nominations of new Directors, and considers the range of skills and experience required in the light of:

- the current composition of the Board;
- the need for independence; and
- the strategic direction and progress of AAco.

The Board assesses nominated Directors against a range of criteria including background, experience, professional skills, personal qualities and their capacity to commit themselves to the Board's activities.

3.3 Retirement from the Board

One third of the Directors are required to retire by rotation at each Annual General Meeting ("AGM"). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods they may agree among themselves or determine by lot, who shall retire.

A retiring Director holds office until the conclusion of the meeting at which that Director retires but is eligible for re-election.

The Managing Director/CEO (who is a Director on the Board) is not subject to retirement by rotation and is not to be taken into account in determining the rotation of retirement of directors.

A Director appointed as an additional or casual Director by the Board will hold office until the conclusion of the next AGM of the company when the Director may be re-elected. This re-election will be in addition to any rotational requirements.

3.4 Evaluation of Board Performance

The AAco Board seeks to encourage the types of behaviour that promote good corporate governance and effective decision-making by:

- Ensuring directors are encouraged to participate;
- Ensuring there is a diverse range of skills and experience on the Board;
- Ensuring adequate time is available to discuss and review decisions;
- Fostering an environment which encourages debate; and
- Inviting presentations from outsiders with different ideas, perspectives, and information.

The Chairman will, on an annual basis, arrange for an evaluation to be conducted of the Board's performance. This will include discussions both collectively and individually about:

- The role of the Board;
- The Board processes;

- The Board's performance;
- The performance of individual Directors;
- The performance of Board Committees;
- The need for continuing professional development; and
- Any other relevant issues.

4. Key Functions of the AAco Board

4.1 Role of the Board in Strategy

A critical part of the Board's role is to ensure that AAco is pursuing an appropriate strategy. To achieve this, the Board actively engages with management to ensure the appropriate development, execution and modification of AAco's strategy.

Each financial year during the planning process, management develops and then proposes a strategy for discussion with Directors. Once approved by the Board, this strategy then forms the basis for the business plan, which is considered and approved by the Board.

The Board monitors execution of the business plan against pre-established milestones on a regular basis.

The Board places emphasis on strategic discussion and conducts a minimum of two formal strategy meetings per annum.

4.2 Delegations of Authority

4.2.1 Delegation to Board Committees

The Board has established committees in order to share detailed work. Each committee then reports back and advises the Board. The Chairman of each Committee will report any matters of substance to the next Board meeting. A copy of all Committee minutes are provided to the Board.

There are currently four Board committees, being:

- Board Audit Committee
- Board Staff and Remuneration Committee
- Board Nomination Committee
- Board Risk Management Committee

4.2.2 Role of Board Committees

Each Committee has its own Terms of Reference approved by the Board. The Terms of Reference are reviewed annually, with additional review from time to time as appropriate. The Chairman oversees all Board Committees. The Managing Director/CEO will attend committee meetings as appropriate. Other senior management will attend by invitation.

The role of each committee is as follows:

Board Audit Committee

The Board Audit Committee assists the Board to discharge its corporate governance responsibilities, including:

- Providing the Board with assurance regarding the reliability of financial information for inclusion in the financial reports;
- The business relationship with, and the independence of, the external auditor;
- The maintenance of an effective framework of business risk management, compliance and internal controls; and
- The adequacy of AAco's insurance program, including Directors & Officers' insurance cover.

Board Staff and Remuneration Committee

The Board Staff and Remuneration Committee reviews and reports to the Board on the management of the company's safety and health responsibilities and provides advice to the Board relating to the effectiveness, integrity and legal compliance of AAco's remuneration programs (including staff performance rights, share and option plans). Key responsibilities include annually reviewing and recommending to the Board the total remuneration package of the Managing Director/CEO.

The Board Staff and Remuneration Committee also reviews compensation arrangements for the directors themselves, making recommendations to the full Board.

Board Nomination Committee

The Board Nomination Committee serves as an advisory committee to the AAco Board, providing advice relating to Board composition, performance and succession.

Board Risk Management Committee

The primary objective of the Board Risk Management Committee is to assist the Board in fulfilling its responsibilities to oversee the risk profile of the Company.

The Board Risk Management Committee is to report to the Board on the Company's risk profile and Management's development and implementation of a risk management framework for the Company.

Duties of the Board Risk Management Committee include:

- Recommending to the Board the risk appetite and tolerances, risk profile and the risk management framework of the Company;
- Monitoring the adequacy and effectiveness of the Company's risk management framework; and
- Driving the development of a strong risk management culture and ensure risk management is dynamic and subject to a continuous process of improvement.

4.2.3 Delegations to the Managing Director/CEO

The Board approves Delegations of Authority to the Managing Director/CEO. These Delegations are maintained by the Company Secretary and are reviewed as appropriate from time to time.

4.3 Review of Managing Director/CEO Performance

The Board sets performance criteria for the Managing Director/CEO, which are reviewed regularly by the Board. The Chairman leads a formal Board review to assess the performance of the Managing Director/CEO on an annual basis.

4.4 Risk Management and Compliance Framework

The AAco Board is responsible for establishing policies on risk oversight and ensuring appropriate measures are in place to manage risk in line with AAco's strategy.

The Board has established the Board Risk Management Committee in order to share detailed work with respect to AAco's risk management and compliance framework (refer paragraph 4.2.2). This Committee reports back to and advises the Board.

AAco has a risk management program in place that is supported by tools and processes to enable the business to identify and assess risks, respond appropriately and monitor/review risks.

The Board is responsible for ensuring that AAco's internal compliance and control system is operating effectively. A systematic approach to compliance management has been implemented within AAco, covering a broad range of regulatory, financial and operational requirements and responsibilities. The Board will inquire of management and the external auditors about risks or exposures and assess the steps in the management plan to take to minimise such risks to the Company. The Board will monitor the risk management plan and process. The results of the compliance management process are reported to the Board regularly and on an ad hoc basis as and when required.

4.5 Cascading of Decisions to Subsidiary Companies

The Directors of AAco fulfil their responsibility for guiding and monitoring subsidiary companies in the following ways:

- The Directors of AAco approve company strategy, business plans and policies which are cascaded down through key operating subsidiaries as appropriate;
- Significant issues affecting subsidiary companies are brought to the attention of the AAco Board by way of ad hoc Board reports; and
- Subsidiary company information and documentation are available to Directors on request.

4.6 Other

4.6.1 Independent Advice

To assist Directors in discharging their duties, it may at times be necessary for them to seek independent professional advice, particularly where they perceive an irregularity in an AAco related matter. A Director is entitled to seek independent professional advice, at the expense of the company, in the following circumstances:

Where the issue or recommendation under consideration:

- Imposes or has the potential to impose any unusually onerous obligation on the Director in discharging his or her duty as a Director (other than in circumstances where the Director may have a conflict of interest or may have breached his or her duty to the company);
- Is one which the Director reasonably considers, after consultation with the Chairman, is for any other reason significant or of a character which makes the obtaining of independent advice appropriate;
- Is one where the Director seeks advice as to coverage under the company's insurance policies; and
- Where all available resources for obtaining advice on the issue or recommendation from internal professional staff, or from the company's usual external advisers, have been exhausted, and/or there are reasonable concerns as to the expertise or clear independence of those advisers.

Prior to the Director obtaining independent professional advice, Directors must advise the Chairman and ensure that the costs are reasonable. In addition, the independent advice obtained must be made available to the rest of the Board.

4.6.2 Insurances

Where AAco is unable to indemnify a Director and/or officer (e.g. for a liability to AAco itself) the AAco's Directors' & Officers' Liability Insurance Policy may provide coverage (subject to the Corporations Act and policy terms and conditions) for 'losses' which the Director and/or officer becomes legally liable to pay in respect of a claim. Cover under the Directors' & Officers' Policy is not given where liability arises out of dishonesty, fraud or wilful breach of duty.

**Transactions or Decisions that specifically require
Approval by the AAco Board**

- Company Strategy and the Annual Operating Plan and Budgets;
- Yearly and half-yearly results;
- Policies governing the operations of AAco;
- Appointment of new Directors to the Board and to subsidiary companies;
- Appointment and removal of the Managing Director, Chief Executive Officer, Chief Financial Officer and Company Secretary;
- Senior management remuneration policies and practices;
- Acquisition or disposal of major operating assets, including properties;
- Major corporate or financial restructuring;
- Issues of company shares and options; and
- Declarations of dividends to shareholders.

Independence of Directors

Criteria to be considered by the Board in determining whether or not a director is independent include whether the director:

- Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- Within the last three years has been employed in an executive capacity by the company or one of its subsidiary companies;
- has been in the last three years, a principal of a material professional adviser or a material consultant to the company or other group member, or an employee materially associated with the service provided ;
- Is affiliated with a material customer or supplier of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- 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.