



# Board Charter

*Namoi Cotton Limited ACN 010 485 588*

# 1. CHARTER

This Charter sets out the role, responsibilities, structure and processes of the Board of directors of Namoi Cotton Limited (Namoi Cotton or Company) having regard to principles of good corporate governance, international best practice and applicable laws.

## Introduction

The role of the Board is to set the purpose, values, and strategic direction of the Company, guide and monitor the management of the Company in achieving its strategic plans, review, approve and monitor the Company's risk management systems across its businesses, and to oversee overall good governance practice.

The purpose of this charter is to:

- a) promote high standards of corporate governance,
- b) clarify the role and responsibilities of the Board; and
- c) enable the Board to provide strategic guidance for the Company and effective management oversight.

The Board Charter, the charters for Board sub-committees and company policies have been prepared and adopted on the basis that strong corporate governance adds to the performance of the Company, creates shareholder value and engenders the confidence of the investment market.

For the purpose of this Charter, senior executives include all officers and employees who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance.

## Company Purpose

The Board's commitment is to develop its cotton ginning and marketing operations through an integrated ginning, logistics and warehouse network with a strong commitment to safety for all our employees, exercising labour practices that respect the culture and diversity of our employees, a dedication to and respect for the environment, promoting sustainable development of those communities within which we operate, and the commitment to act with utmost integrity, honesty and in good faith.

# 2. COMPOSITION OF THE BOARD

## Board structure

The Board's policy is that it should be comprised of a majority of independent Non-Executive Directors who, with any Executive Directors, comprise an appropriate mix of skills, knowledge, experience, expertise and diversity, to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives. The Namoi Cotton Constitution provides that the Board must comprise an even number of Directors that is not more than a maximum of 8.

The Constitution requires the Board to be comprised of an equal number of Grower Directors and Non-Grower Directors ("Grower Director Representation Rule") for as long as the Grower Directors

Representation applies.

### **Grower Director Representation Rule**

The Grower Director Representation Rule operates from the conversion of Namoi Cotton from a co-operative to a public company until at least the 2022 Namoi Cotton AGM, when the Grower Director Representation Rule will be voted on by shareholders. If approved, the Grower Director Representation Rule will again be voted on at the 2027 Namoi Cotton AGM and if approved, at any subsequent Namoi Cotton AGM. If the Grower Director Representation Rule is not approved at any of these shareholder meetings by way of special resolution it will cease to apply.

The Grower Director Representation Rule will cease to apply if Namoi Cotton's main undertaking ceases to be a cotton ginning business.

### **Grower Director Eligibility criteria**

An assessment of Grower Director eligibility is undertaken annually. Eligibility as a Grower Director is laid out in the Company's Constitution.

If a Grower Director ceases to satisfy any of the eligibility requirements set out above due to drought, flood or loss of crop due to hail or spray drift, then the Directors may, in their absolute discretion, provide an exemption for one cotton season for that Grower Director when applying the eligibility requirements. The Directors must also review the eligibility of each Grower Director by assessing and determining whether they continue to satisfy the eligibility requirements on an annual basis at least 3 months prior to each AGM.

## **3. ROLE & RESPONSIBILITIES AND POWERS OF THE BOARD**

The Board's role is to represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance.

The Board:

- a) regularly reviews and approves the Namoi Cotton corporate governance principles; and
- b) ensures Namoi Cotton's corporate governance practices are compliant with the ASX Corporate Governance Principles and Best Practice Recommendations.

### **Directors' role & responsibilities**

Directors are:

- a) expected to attend and participate in Board meetings and meetings of Board sub-committees on which they serve.
- b) expected to spend the time needed, and meet as often as necessary, to properly discharge their responsibilities.
- c) expected to review meeting materials before Board meetings and committee meetings.

- d) encouraged to ask questions of, request information from, and raise any issue of concern with, management. Directors are encouraged, where possible, to ask any questions and raise issues of concern before a meeting so that management is prepared to address them.
- e) Expected to exercise independent judgment when making decisions.
- f) expected to support the letter and spirit of Board decisions.
- g) required to keep Board information, discussions, deliberations, and decisions that are not publicly known, confidential.

### **Delegated matters reserved for the Board**

Directors are responsible for any delegations of their responsibilities with regard to corporate operations. As such, they decide as a Board what Company matters are delegated to either specific Directors or executive management. In addition, they outline what controls are in place to oversee the operation of these delegated powers.

The Board is responsible for:

- a) setting the Company's purpose and values;
- b) approving the Company's strategy, business plans and policies;
- c) monitoring the Company's strategic direction and portfolio of activities, and overseeing management in its instilling of Company's values;
- d) setting the Company's risk appetite and monitoring and reviewing the Company's financial and non-financial risk management systems, including internal compliance and control mechanisms;
- e) approving the annual report and financial statements (including the directors' report and remuneration report) and any other published reporting, upon recommendation from the Audit, Risk and Compliance Committee, in accordance with the Constitution, Corporations Act, ASX Listing Rules and any other applicable regulations;
- f) approving and monitoring operating budgets, major capital expenditure, capital management and capital raising initiatives, acquisitions and divestments;
- g) approving the dividend policy of the Company and authorising payment of dividends;
- h) overseeing the Company's accounting and corporate reporting systems, reviewing the effectiveness of these systems in ensuring they result in adequate, accurate and timely information being provided to the Board, and appointing, re-appointing or removing the Company's external auditors and approving the auditor's remuneration, upon recommendation from the Audit, Risk and Compliance Committee;
- i) approving and monitoring the effectiveness of the Company's system of corporate governance, including formation of Board sub-committees and the terms of applicable governing charters;
- j) monitoring and guiding the culture, reputation and standards of conduct of the Company;
- k) approving the Company's Code of Conduct, Share Trading Policy and other Company level policies, monitoring their effectiveness, and addressing any material breaches;

- l) approving the Company's remuneration policies for non-executive directors, the Chief Executive Officer and senior executives, and ensuring these policies are aligned with the Company's purpose, values, strategic objectives, and risk appetite, upon recommendation from the People & Culture Committee;
- m) determining the size, composition and structure of the Board, and the process for evaluating its performance;
- n) appointing and removing the Chief Executive Officer and approving the remuneration of and overseeing the performance review of the Chief Executive Officer;
- o) approving and reviewing succession plans for the Chief Executive Officer and senior executives;
- p) whenever required, challenging management and holding it to account;
- q) reviewing annually the Company's diversity initiatives and measurable objectives, and progress towards their achievement;
- r) monitoring the Company's performance in delivering its strategic plans;
- s) approving and monitoring the systems and policies to ensure integrity of budgets, financial statements and other reporting;
- t) overseeing and approving strategies for the Company to maintain a strong balance sheet and sound credit rating over time;
- u) overseeing the management of the Company's interactions, disclosures and communications with shareholders and the broader community, and overseeing the effectiveness of the Company's sustainability policies; and
- v) reviewing the division of functions and responsibilities between the Board, Chief Executive Officer and senior executive team.

The Namoi Cotton Board is also responsible for approving and monitoring external financial reporting and market releases to Namoi Cotton Shareholders and the ASX.

#### **4. REMUNERATION – BOARD and MANAGEMENT**

Non-Executive Director remuneration is approved by the Shareholders at a general meeting. Non-Executive Directors are not entitled to bonus or incentive payments. The aggregate annual remuneration of the Directors is to be divided in the proportion and manner the Directors agree, and in default of agreement, among them equally.

On 10 October 2017 Namoi Cotton, under a general meeting with Shareholders, received approval for any Directors serving two terms in office as at 10 October 2017 be entitled to a retirement benefit equivalent to two year's remuneration based on their remuneration for the 2017-2018 financial year.

The Board or People and Culture Committee may ask for independent advice on Non-Executive Director remuneration.

The Directors are reimbursed for expenses incurred in the undertaking of their duties, for example travel and accommodation.

The Namoi Cotton Board is responsible for:

- a) approving the remuneration policies for Namoi Cotton;
- b) establishing remuneration policies for Non-Executive Directors;
- c) approving the remuneration for the Chief Executive Officer and all senior executives; and
- d) approving and establishing performance assessment criteria for the Chief Executive Officer and senior executives and regularly reviewing actual performance against such set criteria.

## **5. BOARD MEETINGS**

The Board shall meet at least eight times per year, and otherwise as often as the directors determine necessary to enable the directors and the Board to fulfil their duties and responsibilities to the Company.

A director may call a meeting of the directors, and the Company Secretary must, if requested by a director, call a Board meeting.

A quorum for Board Meetings is four Directors.

The Chairman does not have a casting vote.

## **6. BOARD COMMITTEES**

The Board may from time to time establish and delegate any powers to a sub-committee of the Board in accordance with the Constitution.

The Board is responsible for approving and reviewing the charter, terms, responsibilities and membership of each committee established by the Board. The performance of each committee is reviewed by the Board, which will also consider whether any amendments to the relevant charter are necessary.

Namoi Cotton has established the following sub-committees of the Board:

- a) Audit, Risk and Compliance Committee;
- b) Trading and Operating Risk Committee;
- c) People and Culture Committee; and
- d) Safety Committee

The Committees are made up of representatives of the Board comprising a majority of independent directors. The functions of the Safety Committee are managed by the Board as a whole and meet as part of a Board Meeting.

## **7. CHAIRPERSON**

In accordance with the Namoi Cotton Constitution the Chairperson can be any Non-Executive Director

elected to the Board. The Chairperson may be removed from the Chairperson position by a resolution of the Directors when reasonable notice of such resolution is given to all Directors.

The Chairperson is responsible for leadership of the Board, chairing Board Meetings, briefing Directors on issues which arise, and communicating with the Chief Executive Officer.

## 8. COMPANY SECRETARY

The Company Secretary must:

- a) co-ordinate and complete the dispatch of agenda's, briefing materials and Board minutes to the Board and attend Board meetings;
- b) record, maintain and distribute the minutes of all Board and sub-committee meetings;
- c) monitor compliance with the Namoi Cotton Constitution and Corporate Governance Policies, ASIC and ASX Listing Rules and lodge statutory reports as and when required;
- d) keep the Board updated on corporate governance and director liability matters; and
- e) be accessible by individual Directors.

The Company Secretary will also be the Secretary for the Board sub-committees unless otherwise agreed by the Board.

## 9. ETHICAL STANDARDS AND LEGAL DUTIES

**Code of Conduct:** Each director shall abide by the terms of the Company's Code of Conduct and is expected to uphold the ethical standards and corporate behaviour described in the Code.

**Duties:** The Board will operate in a manner reflecting the values of the Company and in accordance with its agreed corporate governance guidelines, the Constitution, the Corporations Act and all other applicable laws and regulations.

**Conflicts of interest:** Each director has a fiduciary and statutory duty not to place themselves in a position which gives rise to, or is perceived to give rise to, a real or substantial possibility of conflict, whether it be a conflict of interest or conflict of duties. In accordance with the Company's Code of Conduct, each director is required:

- to ensure that the Board is notified (whether by formal standing notice or notification to the Company Secretary or Board immediately on becoming aware) of any such conflicts of interest; and
- if any matter is or likely to be brought before the Board which could give rise to such a conflict of interest, then the director:
  - shall disclose this to the Board;
  - shall continue to receive Board papers or other information which relates to the matter which is the subject of the conflict of interest, unless the director requests, or the Chairman determines, that he or she shall not receive any or all of those documents;

- shall withdraw from any part of a Board or Board sub-committee meeting for the duration of any discussion; and
- not vote on the matter,
- unless a majority of directors who do not have an interest in the matter resolve that the disclosed interest should not disqualify the director.

**Dealing in shares:** Directors must ensure any dealings in shares are in strict compliance with the Company's Share Trading Policy and otherwise in accordance with the values of honesty and integrity.

## 10. INDEPENDENCE

The Board supports the principle that each Director should be independent.

If a director is or becomes aware of any information, facts or circumstances which will or may affect that director's independence, the director must immediately disclose all relevant details in writing to the Company Secretary, People & Culture Committee and the Chairman.

The Board regularly reviews the independence of each Non-Executive Director in light of information disclosed by each Non-Executive Director to the Board.

An independent director is a non-executive director who is not a member of management and who is free of any interest, position, association, business or other relationship that might influence or be perceived to influence, in a material respect, the independent exercise of their judgement.

In considering whether a director is independent and the criteria against which the Board determines the materiality of a relationship, the Board is to have regard to:

- the interests, positions and relationships affecting the independent status of a director as described in the ASX Corporate Governance Principles and Recommendations;
- the materiality guidelines applied in accordance with Australian accounting standards;
- developments in International corporate governance standards; and
- any independent professional advice sought by the Board at its discretion.
- The Board considers a relationship to materially influence, or be perceived to materially influence, a director's independent judgement, where it is of substance and consequence and there is a real and sensible possibility that it would affect the director's judgement.

## 11. BOARD APPOINTMENT

The procedures for the appointment and removal of Directors are governed by the Namoi Cotton Constitution and ASX Listing Rules. The Board may appoint Directors to fill casual vacancies, subject to the Grower Director Representation Rule, up to the maximum number of Directors permitted under the Constitution. If the Board appoints a new Director during the year, that Director must stand for election at the next Annual General Meeting.



Directors have a maximum term of 12 years of continuous service, are subject to the retirement provisions contained in the Namoi Cotton Constitution and the ASX Listing Rules, and at a minimum Directors must submit themselves to Shareholders for re-election at least every (3) years. The Namoi Cotton Constitution provides that there must be an election of Directors at each Annual General Meeting.

## 12. INDUCTION AND EDUCATION

Namoi Cotton's induction program is implemented by the People & Culture Committee, Company Secretary and Manager of People & Culture. The induction program aims to provide a new Director with:

- a) detailed knowledge of the Namoi Cotton business, including the company's financial position, strategy, operations and corporate and organisational structure;
- b) general knowledge of the cotton industry;
- c) information to allow the new Director to make informed decisions as soon as possible;
- d) access to the Company's Constitution, Charters, Corporate Governance Policies, D&O Insurance policy; and
- e) an overview of Director's statutory and common law duties, roles and responsibilities.

The Company is committed to continuing development of its Directors and executives. There is an expectation that all Directors and the Chief Executive Officer will commit to at least 2 days of professional development each year. Development may be in both governance and governance processes or in the Company's industry. The Board also undertake an annual review in relation to whether there is a need for existing Directors to undertake professional development.

## 13. MINIMUM SHAREHOLDING QUALIFICATION

It is Board policy that each Non-Executive Directors are required to hold and maintain a minimum shareholding in Namoi Cotton equivalent to the Minimum Shareholding Threshold subject to the following:

- a) subject to (b), each Non-Executive Director must maintain the Minimum Shareholding Threshold within three (3) years after the date of the Non-Executive Directors first appointment by the shareholders of the Company to the Board of Namoi Cotton;
- b) each Non-Executive Director appointed to the Namoi Cotton Board prior to the effective date of this policy must maintain the Minimum Shareholding Threshold within two (2) years after the date the Board adopts this policy;
- c) once the Non-Executive Director has met the Minimum Shareholding Threshold, the Non-Executive Director must maintain the Minimum Shareholding Threshold during their appointment as a Non-Executive Director for Namoi Cotton;

with such **Minimum Shareholding Threshold** meaning a number of Shares which is equal value to one year of a Non-Executive Director's annual base fee or such amount as fixed by the Board from time to time and calculated in accordance with Minimum Shareholding Policy.

## **14. PERFORMANCE REVIEW**

The Board considers the ongoing development and improvement of its own performance as a critical input to effective governance. The Board is responsible for undertaking an annual evaluation of Board and Director performance with the People and Culture Committee. (refer to Performance Evaluation Policy)

The evaluation will:

- a) compare the Board's performance with requirements of this Charter;
- b) review the annual work plan incorporating any changes in the Charter; and
- c) set goals for the upcoming business year.

## **15. INDEMNITY OF DIRECTOR AND OFFICER INSURANCE**

The Namoi Cotton Constitution requires that the Company indemnify a Director to the extent permitted by law for liability which arises from acting as director for Namoi Cotton. The Namoi Cotton Constitution also provides the Company may pay a person for a contract insuring a person who is a director of Namoi Cotton against liability incurred by that person as a director of Namoi Cotton.

Namoi Cotton maintains a Directors & Officers Insurance Policy to satisfy the Company's Constitution obligations. Namoi Cotton has entered a Deed of Indemnity Insurance and Access with each Director and Company officer.

Directors have the right to access all books, records and documents of Namoi Cotton.

The Board collectively, and each director individually, may obtain independent professional advice at the Company's expense, as considered necessary to assist in fulfilling their relevant duties and responsibilities.

Individual directors who wish to obtain independent professional advice should seek the approval of the Chairman (acting reasonably) and will be entitled to reimbursement of all reasonable costs in obtaining such advice. In the case of a request made by the Chairman, approval is required by the Chairman of the Audit, Risk and Compliance Committee.

## **16. REVIEW OF CHARTER**

The Board will review the Board Charter annually or as and when required.

The Charter may be amended by resolution of the Board.

## **17. PUBLICATION**

The Board Charter is available on the Namoi Cotton website.

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Adopted by the Board on 10 October 2017

Reviewed and updated by the Board in December 2019

Reviewed and updated by the Board in 21 August 2020