

A decorative branch with several white cotton bolls and some dried, brown husks, positioned on the left side of the page.

NAMOI COTTON LIMITED

CORPORATE GOVERNANCE STATEMENT

2019



NAMOI COTTON LIMITED
ABN 76 010 485 588

2019 Namoi Cotton Limited (“Namoi Cotton”) Corporate Governance Statement

Namoi Cotton’s corporate governance practices are outlined in this Corporate Governance Statement. In developing the governance framework for Namoi Cotton the Board has considered the Corporate Governance Principles and Recommendations (“ASX Governance Principles”) published by the ASX Corporate Governance Council (“ASX CGC”). Copies of the Namoi Cotton Key Policies and Charters for Namoi Cotton and the Board and its current Board Sub Committees referred to in the statement are available in the Corporate Governance section of Namoi Cotton’s website at www.namoicotton.com.au (collectively such policies known as the “Corporate Governance Documents”). A copy of the 2019 Annual Report is available on the Namoi Cotton website.

The 2019 Corporate Governance Statement is dated 28 June 2019 and covers the corporate governance practices and policies in place during the 2019 Financial Year (1 March 2018 to 28 February 2019). The 2019 Corporate Governance Statement was approved by the Board on 20 June 2019.

During the 2019 Financial Year the Board reviewed its internal governance Board Sub-Committee’s and made various structural changes from 28 August 2018, with implementation progressed from 28 August 2018 to 28 February 2019.

In brief during the 2019 Financial Year:

- the Audit and Compliance Committee was renamed as the “Audit Committee”;
- the Marketing Financial Risk Committee was renamed as the “Financial Risk Committee”;
- the Board established a stand-alone Safety Committee; and
- the Nomination & Remuneration Committee remained the same as the previous financial year, the Charter being reviewed and updated.

The Board has established four Board Sub Committees to assist the Board in discharging its responsibilities. The Board Sub Committees review certain matters designated within the Sub Committee’s Charter and make recommendations to the Board. The Board Sub Committees at present include the:

- Audit Committee;
- Risk Committee;
- Safety Committee; and
- Nomination and Remuneration Committee.

The various Board Sub Committees are governed by the relevant adopted Charter which sets out the Committee’s purpose, responsibilities, role, membership, meeting process, Board reporting obligations and assessment of performance.

During the 2019 Financial Year the various Sub Committees composition and attendance is set out in the Directors Report within the 2019 Annual Report.

Structure and Composition of the Board

The Namoi Cotton Constitution provides the Board must comprise an even number of Directors that is not more than a maximum of 8.

A lesser even number than 8, may be determined as the Board limit by the Directors in accordance with the Corporations Act and subject to article 11.2 of the Namoi Cotton Constitution.

Article 11.2 of the Namoi Cotton Constitution provides subject to the Corporations Act, Namoi Cotton in a general meeting may approve by ordinary resolution to increase or reduce the number of Directors from 8 for the Board.

Article 11.3 of the Namoi Cotton Constitution provides at all times one-half of the total number of Directors must be Grower Directors (the “Grower Director Representation Rule”) for so long the Grower Directors Representation applies.

Article 12 of the Namoi Cotton Constitution sets out the requirements to be eligible for a Grower Director. A copy of the Namoi Cotton Constitution is available on the Namoi Cotton website www.namoicotton.com.au under the “Governance” tab.

At the date of the 2019 Annual Report the Non-Executive Directors on the Board which are in the classification of being a Grower Director are Mr Stuart Boydell, Mr Tim Watson, Mr Glen Price and Mrs Juanita Hamparsum.

The Board is reviewed annually and currently comprises (8) Non-Executive Directors.

Name	Position	Appointment Date	Last Re-Election
Tim Watson	Chairman - Non-Executive Director	17 December 2014	2018 AGM
Stuart Boydell	Chairman to 28 August 2018 – Non-Executive Director	3 April 1998	2017 AGM
Glen Price	Non-Executive Director	22 July 2009	2018 AGM
Robert Green	Non-Executive Director	27 May 2013	2016 AGM
Richard Anderson	Non-Executive Director	7 July 2001	2016 AGM
James Jackson	Non-Executive Director	7 June 2018	2018 AGM
Juanita Hamparsum	Non-Executive Director	7 June 2018	2018 AGM
Joseph Di Leo	Non-Executive Director	7 June 2018	2018 AGM
Michael Boyce	Non-Executive Director	30 October 2002	Retired – 24 April 2018

Details and skills, experience and expertise relevant to the position of Director currently in office is in the 2019 Annual Report which is available on the Namoi Cotton website under the “Investor Tab”, www.namoicotton.com.au

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Recognise and publish the respective roles of the Board and Management

The Board of Directors for Namoi Cotton represent the company’s shareholders.

During the 2019 Financial Year the Board's main responsibilities and reserved decision-making parameters are set out in the Board Charter. The roles and responsibilities of the Board are defined in the Board Charter, Audit Committee Charter, Marketing & Financial Risk Management Charter and the Nomination and Remuneration Committee Charter.

During the 2020 Financial Year the Board is in the progress of finalising and adopting a new Audit Committee Charter, Financial Risk Committee Charter and Safety Committee Charter for Namoi Cotton, upon adoption Namoi Cotton will make these Charter's available on the Namoi Cotton website.

During the 2019 Financial Year the Board delegated the day to day management, operation and administration of Namoi Cotton to the Chief Executive Officer, Mr Jeremy Callachor (this delegation was up to 8 March 2019, at which time Mr Jeremy Callachor resigned as the Chief Executive Officer of the Namoi Cotton group). The Chief Executive Officer has the authority to sub-delegate his duties to various members of the Management team. The Board is responsible for reviewing the performance of the Chief Executive Officer.

Namoi Cotton has written agreements with all Directors and Senior Executives setting out the key terms of such appointment.

From 8 March 2019 the Board appointed Mr Stuart Greenwood to act as the Interim Acting CEO (and also Chief Financial Officer). The Board is currently with the assistance of an external recruitment consultant undertaking a process to appoint a new Chief Executive Officer for Namoi Cotton, the process is being undertaken by the Nomination & Remuneration Committee.

Recommendation 1.2 – Undertake appropriate background checks on Directors and information to be given for election of directors

The process of the appointment and removal of Directors is governed by the Namoi Cotton Constitution.

The Board has a Nomination and Remuneration Committee which has the responsibility for recommending to the Board candidates to be considered or nominated to act as a Director for the Board. Any recommendations are provided to the Board.

If a new Director is appointed by the Board as casual vacancy or additional director during the year by the Board, then such appointment is required to stand for election by the shareholders at the next Annual General Meeting.

In considering candidates for the selection, election and appointment to the Board, the Nomination and Remuneration Committee and the Board assesses candidates background, qualifications, industry experience and personal attributes.

The Board will undertake appropriate checks before appointing a new Director including reference checks, criminal and bankruptcy checks, academic qualifications checks and for Grower Directors checks they meet the Grower Directors qualifications under the Namoi Cotton Constitution.

Recommendation 1.3 – A listed entity should have a written agreement with each Director and Senior Executive

Namoi Cotton has written agreements with its Directors and Senior Executives setting out the key terms of such appointment.

Recommendation 1.4 – The Company Secretary accountable to the Board, through the Chair, on matters with proper functioning of the Board

The Company Secretary has access to all Board members. The role of the Company Secretary is outlined in the Board Charter. The Company Secretary does assist and advises the Board on governance and compliance from time to time.

Recommendation 1.5 – The listed entity should have a diversity policy with set parameters

Namoi Cotton has a diversity and inclusive strategy. Diversity within Namoi Cotton is created by an inclusive working environment. Namoi Cotton has a publicly released Diversity Policy on its website which promotes gender, cultural and leadership diversity.

The intention is to achieve the objectives over time as employment positions become available.

Namoi Cotton's Workplace Gender Equality Act public report for 2018 is available on its website.

Namoi Cotton at the time of this report has 18% of women employed on a full-time basis across all sites and locations. Namoi Cotton is committed to a diversity strategy aimed to promote the appointment of qualified, experienced and diverse Directors, Management and Employees to achieve Namoi Cotton's objectives on diversity. The Namoi Cotton Diversity Policy also sets out measurable objectives.

In respect of the diversity strategy the Board and Management will:

- promote diversity in the Namoi Cotton workplace;
- support equal opportunity in the recruitment, selection and promotion of employees from different backgrounds, knowledge, gender and experience. The Namoi Cotton recruitment process is structured to provide equality in recruitment and unbiased selection and promotion decisions;
- reward excellence on agreed goals to remove bias and promote equality; and
- identify and implement initiatives that encourage development of careers and enhance skills.

The Namoi Cotton existing diversity policies include the recruitment policy, paid parental leave, carer's leave, flexible work arrangements and mentoring programs. The Board in consultation with the Nomination and Remuneration Committee will set measurable objectives for achieving diversity, in particular gender diversity.

Measurable diversity metrics may include:

- representation of roles by age and gender for Management, Team Leaders and Board levels;
- gender salary comparison in same role and same level positions;
- gender representation in talent and succession planning; and
- setting diversity targets.

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- gender representation in talent and succession planning; and
- setting diversity targets.

Recommendation 1.6 – Board Performance and Evaluation

The Board conducts annual evaluations of its performance and the performance of its Committees. The process of performance review enables the Board to identify areas for improvement. The Board performance evaluation, amongst other things, is based on Namoi Cotton's performance against long term objectives, the business plan and budgeted performance. An internal performance evaluation for the Board and its Committees has taken place in the reporting period in accordance with the process disclosed.

Recommendation 1.7 – Management Performance and Evaluation

Namoi Cotton's Corporate Governance Documents details the procedures for performance review and evaluation. Senior Management are evaluated against individual performance and business measures on an ongoing basis.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – The Board should have a Nomination and Remuneration Committee

Namoi Cotton has established a Nomination and Remuneration Committee to assist the Board in reviewing Namoi Cotton's succession planning, remuneration policies and practices. The Board has adopted a Charter for the Nomination and Remuneration Committee which sets out the Committees responsibilities, structure, access to resources and information, meeting processes and performance evaluation. In addition, the Board has adopted a Remuneration Policy which is available on the Namoi Cotton website.

The primary function of the Nomination and Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities that:

- executive remuneration and incentive policies consider market practices and trends;
- remuneration packages for the Chief Executive Officer and Management are fair and reasonable;
- incentive schemes align with the interest of Namoi Cotton performance;
- the remuneration framework for Directors is fair and reasonable; and
- ensure appropriate succession planning and retention is taking place for Namoi Cotton.

It meets at least six monthly and comprises of four independent directors and an independent chairperson. The qualifications of members of the Committee are set out in the Directors Report and Annual Report for 2019 and attendance at meetings is included in the Directors Report.

Recommendation 2.2, 2.3, 2.4, 2.5 and 2.6 - Board skills matrix, Board Independence, Majority of Board being Independent, the Chairperson being Independent and Inducting New Directors and provide professional development opportunities

Composition of the Board

The Board is to be comprised of individuals with an appropriate mix of skills, knowledge, qualifications and experience. The Namoi Cotton Constitution provide that the Board may comprise

a maximum of eight (8) Directors. The Namoi Cotton Constitution provides that the Board must have an equal number of Grower Directors. The composition of the Board is reviewed annually by the Board. The qualifications and experience of each Director is set out in the Directors Report. With the Board composition requirements of the Namoi Cotton Constitution aims to achieve a mix of industry, finance, governance, trading, risk management, compliance, IT and strategy experience.

The Constitution requires the Board to be comprised of an equal number of Grower Directors and Non-Grower Directors until at least Namoi Cotton's 2022 AGM (and thereafter, subject to renewal) ("**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 meetings by way of special resolution it will cease to apply.

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

Eligibility criteria

In summary, to be eligible to be appointed as a Grower Director (and to continue to qualify to be a Grower Director once appointed), a person must (in summary):

- have ginned at least 1,500 cotton bales in aggregate per cotton season at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- have ginned:
 - (i) at least 50% of their seed cotton production at any Namoi Cotton gin in at least three out of the last five cotton seasons; or
 - (ii) at least 50% of their seed cotton production which is grown within 100 kilometres of any Namoi Cotton gin at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- is the registered owner or lessee (of a long-term lease) of cotton farming property which annually can plant a minimum of 150 hectares of seed cotton and is capable of producing 1,500 cotton bales in aggregate per cotton season to be ginned at a Namoi Cotton gin, or:
- be employed in a senior executive or senior managerial role, by a client of Namoi Cotton who has or which has a significant involvement in the Australian cotton industry (and have held that position for at least 5 years); and
- have had their nomination as a Grower Director unanimously approved by the Directors.

Exemptions and annual reviews of eligibility criteria

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.

For further details on the Grower Director Representation Rule please refer to articles 11 and 12 of the Constitution.

Independence

The Board supports the principle that a majority of the Board should be independent. When determining the independent status of a Director, the Board considers whether the Director:

- is a substantial shareholder of Namoi Cotton or an officer of, or otherwise associated directly with, a substantial shareholder of Namoi Cotton;
- is employed, or has previously been employed in an executive capacity by Namoi Cotton or another member of the Namoi Cotton group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to Namoi Cotton or another member of the Namoi Cotton group, or an employee materially associated with the service provided;
- is a material supplier or customer of Namoi Cotton or another member of the Namoi Cotton group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with Namoi Cotton or another member of the Namoi Cotton group other than as a director.

The Board, when assessing materiality, takes a qualitative approach rather than setting quantitative thresholds. In accordance with the Namoi Cotton policies a relationship will be assessed as “material” in context of the nature, circumstance and activities of Namoi Cotton and in context of the Director’s activities or its affiliates’ activities.

The Board recognises the need to have a majority of independent Directors but also recognises that Board members must add value in context of Namoi Cotton’s business. The Board recognises the need for the Board to comprise Directors that have a strong understanding of the Namoi Cotton business, cotton industry, however with the ability to bring independent views and judgement to Board decision making and deliberations.

The Board must have Grower Directors who are required to have business relationships with Namoi Cotton for the ginning of cotton. Additionally, the Grower Directors do have skills, knowledge, qualifications and experience necessary to the proper functioning of the Board.

Each of Mr Watson, Mr Boydell, Mr Price and Mrs Hamparsum as Grower Directors, are cotton producers and sell cotton to Namoi Cotton and use Namoi Cotton’s ginning services. The Board regularly assesses whether or not the nature and extent of those transactions would cause these Directors not to be independent. The Board is satisfied each of these Directors are independent as the nature and magnitude of their dealings with Namoi Cotton do not cause the Board to consider that the relationship could materially interfere with the independent exercise of their judgment. Mr Watson, Mr Boydell, Mr Price and Mrs Hamparsum are capable of exercising independent judgement on all Board decisions.

The Namoi Cotton Alliance Joint Venture is a joint venture between Namcott Marketing Pty Ltd 51% (wholly owned subsidiary of Namoi Cotton Limited) and Louis Dreyfus Company Melbourne JVP Pty Ltd 49% (wholly owned subsidiary of Louis Dreyfus Asia Pte Ltd).

Mr Green is currently a consultant to Louis Dreyfus Australia Pty Ltd and Louis Dreyfus Asia Pte Ltd (collectively LDC Group) and is appointed to the Namoi Cotton Alliance Joint Venture Committee to represent the interests of the LDC Group. The Board does not consider Mr Green to be an independent Director.

The Board has noted Mr Green has nominated for re-election at the 2019 Annual General Meeting and made the following statement within the 2019 Notice of Meeting for the Annual General Meeting.

However, the Board considers that Mr Green's experience in the corporate sector and extensive agricultural industry skill base will be invaluable to Namoi Cotton in advancing its business activities.

The Board is confident that Mr Green will be able to exercise an independent judgment on all Board decisions. Mr Green is capable of exercising independent judgement on all Board decisions.

Mr Robert Green if re-elected at the 2019 Annual General Meeting as a Director of Namoi Cotton Limited, has committed to the Board that he will relinquish his LDC Group Cotton Consulting Agreement and resign from being a representative for the LDC Group on the Namoi Cotton Alliance (NCA) Joint Venture Committee, such changes to take effect immediately on the close of the 2019 Annual General Meeting. The Board supports Mr Robert Green's nomination for re-election at the 2019 Annual General Meeting on this basis.

The Chairman of the meeting intends to vote any undirected proxies in favour of the resolutions in Item 2 of the 2019 Notice of Meeting.

Mr Jackson is the Executive Chairman and major shareholder for Australian Rural Capital Limited (ARC) which holds 9.61% of the issued ordinary shares for Namoi Cotton Limited. Under the ASX Listing Rulings ARC is regarded as a substantial shareholder for Namoi Cotton Limited.

Having considered Mr Jackson's relationship with ARC the principle of independence referred to above, the Board does not consider Mr Jackson to be an independent Director having regard to the significance ARC's shareholding in Namoi Cotton, Mr Jackson's executive role with ARC and that ARC's substantial assets at the moment are Namoi Cotton ordinary shares.

However, the Board considers that Mr Jackson's experience in the corporate sector, capital markets and extensive agricultural industry skill base will be invaluable to Namoi Cotton in advancing its business activities.

The Board is confident that Mr Jackson will be able to exercise an independent judgment on all Board decisions. Mr Jackson is capable of exercising independent judgement on all Board decisions.

Conflicts of Interest.

Importantly the Board has in place a process to ensure that conflicts of interest are managed.

The Board has a code of conduct which provides Directors must act in the best interests of the Namoi Cotton and Directors must avoid participating in decisions and activities which may conflict, or be perceived to conflict, with their duties and responsibilities to Namoi Cotton.

The Namoi Cotton Directors must not enter into any arrangement or participate in any activity that would conflict with Namoi Cotton's best interests or would be likely to negatively affect Namoi Cotton's reputation.

If a potential conflict arises the Director must immediately advise the Board of the conflict of interest. If a potential conflict arises or is notified by the Director to the Board then the relevant Director with the conflict of interest issue must not participate in the discussion of the matter, receive Board papers on the matter and must leave the Board meeting whilst the matter is being considered.

The Board will assess whether a Board member with a conflict of interest is in the best corporate governance for Namoi Cotton, if not then the matter will be raised by the Board with the relevant Director.

Chairperson

The Board Charter provides that the Chairperson is to be appointed by the Board. Mr Tim Watson is the Chairman, he is a Non-Executive Grower Director.

Director Induction

Namoi Cotton has a program and process to induct new Directors. New Directors and existing Directors are offered to undertake professional development opportunities and training internally and externally. Each Director may take independent legal advice at the expense of Namoi Cotton in accordance with the Corporate Governance Documents.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1 – Listed entity should have a code of conduct and share trading policy

Code of Conduct

The Board has established a Code of Conduct, which guides and applies to the Directors, the Chief Executive Officer, Management, employees and third parties dealing with Namoi Cotton. The Code of Conduct is to guide the practices necessary to maintain confidence in Namoi Cotton's integrity and ethical practice. The Board is committed to ensuring that all business affairs of Namoi Cotton must be conducted legally, ethically, honestly and with integrity. The Code of Conduct is available on the Namoi Cotton website. The Code of Conduct addresses Namoi Cotton's position on ethical conduct requirements, compliance with laws, privacy, safety, conflicts of interest, gifts and gratuities. The Board of Namoi Cotton has adopted the Code of Conduct which sets out the conduct and behaviour expected for employees, consultants, contractors and business partners of Namoi Cotton. A copy of the Namoi Cotton Code of Conduct is available on the Namoi Cotton website under the "Governance" tab.

Share Trading Policy

The Board has adopted a Share Trading Policy, which regulates dealing in Namoi Cotton Securities by Key Management Personnel (including Directors) and employees. Directors, Management and employees must comply with the Share Trading Policy. Key Management Personnel, employees and other persons must not deal in Namoi Cotton Securities if they are in possession of unpublished information that, if generally available, might affect the price of Namoi Cotton Securities. Under the Share Trading Policy Key Management Personnel and employees must not buy, sell or subscribe for Namoi Cotton ordinary shares except during permitted periods. Key Management Personnel and

employees may only trade in Namoi Cotton ordinary shares in accordance with the Share Trading Policy. The Share Trading Policy is available on the Namoi Cotton website.

The Share Trading Policy provides:

The Directors, Key Management Personnel, Employees and Related Parties may only deal in Share during the following periods:

- 30 Business Days commencing 48 hours after the date the full year financial results for Namoi Cotton are received and announced to the general market by the ASX;
- 30 Business Days commencing 48 hours after the date the half year financial results are received and announced to the general market by the ASX;
- 30 Business Days commencing 48 hours after the close of the Annual General Meeting of Namoi Cotton; and
- at any other time for a specified period determined by the Board of Namoi Cotton.

Prior to any Director or Key Management Personnel dealing in Namoi Cotton ordinary shares or options or other securities for Namoi Cotton, they must advise the relevant Notification Officer (Company Secretary or as otherwise listed).

The Director or Key Management Personnel proposing to deal in Namoi Cotton ordinary shares (or enter into an agreement to do so) must first complete and forward to the Company Secretary the notification form to deal. If a Director or Key Management Personnel deal in Namoi Capital Stock, then the individual must notify the Company Secretary the details for the deal which includes:

- the number of Namoi Cotton ordinary shares for the trade; and
- the unit price paid or received for the Namoi Cotton ordinary shares.

A breach of the Share Trading Policy will be regarded by Namoi Cotton as serious misconduct which may lead to disciplinary action and/or dismissal.

Whistle-blower Policy

Namoi Cotton has adopted a Whistleblowing Policy, under its Whistleblowing Policy Namoi Cotton encourages all Employees to report to the Whistle-blower Protection Officer, misconduct and unethical behaviour in relation to Namoi Cotton. Such reports can be made by anonymous reporting to allay fear of retribution. The Namoi Cotton Whistle-blower Policy is available on the Namoi Cotton website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1, 4.2 and 4.3 – Listed entity should have an Audit Committee, CEO and CFO declarations and Auditors available at the AGM to answer questions

Audit Committee

The Board has established an Audit Committee which is governed by the Audit Committee Charter.

The Charter for the Audit Committee sets out its authority, objectives, structure, responsibilities, membership, meeting protocols, access to company personnel and information, reporting requirements and performance evaluation.

The Committee's Charter provides that the Committee be structured to have at least three (3) members and that at least two (2) members have financial expertise. The Committee currently comprises of Mr Richard Anderson, Mr Joseph Di Leo, Mrs Juanita Hamparsum and Mr Stuart Boydell.

During the 2019 Financial Year the Chief Executive Officer and Senior Management attended Committee meetings. Details of member qualifications can be found in the Directors Report and Annual Report.

The Audit Committee is to assist the Board on:

- the systems of control which Management have established effectively safeguard the assets of Namoi Cotton;
- the accounting records are properly maintained in accordance with statutory requirements;
- financial information provided to the Board, shareholders, potential investors and to the public is relevant and reliable and to review, assess and approve the annual report and make the appropriate recommendations to the Board;
- the full-year and half-year audits are conducted appropriately;
- the accounting policies and practices adopted by Namoi Cotton are appropriate, up-to-date and relevant;
- make appropriate recommendations to the Board as to whether the financial statements should be approved;
- review and discuss with the External Auditors any relationship that may impact on the auditor's objectivity and independence;
- review and approve the level of non-audit services provided by the External Auditor and ensure it does not impact the independence of the External Auditor;
- review and monitor related party transactions; and
- review the External Auditors performance.

The Audit Committee receives updates from the Chief Executive Officer (& Interim Acting CEO), Chief Financial Officer, Management and the External Auditor. The Committee meets with the External Auditor at least three times a year. Ernst and Young was appointed as the External Auditor for Namoi Cotton for the Financial Year ending 28th February 2019.

In accordance with the Corporations Act 2001, the lead audit partner and the review partner of the external auditor will be rotated every five years. The external auditor as previously is invited to the Namoi Cotton Annual General Meeting to be available to answer questions from Shareholders.

Prior to approving Namoi Cotton's financial statements for FY2019 (28 February 2019) the Board received from the Interim Acting CEO (also CFO) a declaration in their opinion, the financial records of the entity have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Namoi Cotton, and that the opinion has been formed on the basis of a sound system of risk management and control which is operating effectively.

The Auditors independence declaration forms part of the Director's Report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – Make timely exposure and set policies to meet ASX Listing Rule Disclosure

Namoi Cotton has a Disclosure and Communications Policy which is available on the Namoi Cotton website. The Board is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. Namoi Cotton's Disclosure and Communications Policy has been adopted to ensure:

- the timely release of accurate information to shareholders and market participants regarding Namoi Cotton including its financial performance, strategy and material activities; and
- the shareholders have equal access to the information issued by Namoi Cotton and it is disseminated fairly, is cost efficient to access and is delivered in a timely manner.

Namoi Cotton's website contains copies of ASX releases covering such publications as market updates, annual and half yearly financial statements and material business updates. Significant ASX announcements are to be approved by the Board.

The Namoi Cotton Disclosure and Communications Policy is to establish guidelines to facilitate compliance with the ASX Listing Rules by:

- identifying the requirements and types of information subject to disclosure under the ASX Listing Rules;
- providing quantitative and qualitative materiality guidance on whether information should be considered material;
- guidance on whether information is subject to the ASX Listing Rules Confidentiality Exception; and
- establishing procedures and processes for evaluating whether information is market sensitive which may require disclosure.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1, 6.2, 6.3 and 6.4 – Respect rights of security holders

The Board and Management are committed to Shareholders being informed and kept up to date with Namoi Cotton's activities. All information disclosed to the ASX is posted to Namoi Cotton's website www.namoicotton.com.au after it is disclosed to the ASX. A copy of Namoi Cotton's Annual Report is issued to Shareholders who have requested one. The financial and annual reports for the past five years for Namoi Cotton are archived and available on the Namoi Cotton website.

Namoi Cotton has established a Disclosure and Communication Policy which is available on the Namoi Cotton website. The Disclosure and Communication Policy requires communication with Shareholders in an open, balanced, timely manner in order for market participants to make informed decisions on Namoi Cotton. The Board is committed to improving Shareholders communication practices with technological developments and regulatory changes.

The Board is committed to enabling Shareholders to effectively participate in general meetings by:

- Namoi Cotton adopting in all substantial respects ASX Corporate Governance Principles and Guidelines for improving shareholder communication and participation; and
- attendance of its external auditors at the Annual General Meeting to answer questions about the Namoi Cotton audit and contents of the Auditor's Report.

Notice of Meetings are provided to Shareholders and posted on the Namoi Cotton website, shareholders are encouraged to attend the Annual General Meeting.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1. 7.2 and 7.3 – Risk Management Committee, Review of Risk Management Framework and Internal Audit Function

For the 2019 Financial Year the Board has Financial Risk Committee (Risk Committee). The Financial Risk Committee has adopted a Charter which sets out its role, responsibilities, access to management and information protocols, meeting processes and performance evaluation.

The current members of the Financial Risk Committee are Mr Robert Green, Mr James Jackson, Mr Joe Di Leo, Mr Richard Anderson and Mr Glen Price.

The general function of the Committee is to review the risk management policies and framework for Namoi Cotton and make recommendations to the Board.

At Namoi Cotton risk management is a continuous and ongoing process. The Interim Acting Chief Executive Officer (also the CFO) provided a written statement on the financial accounts to the Board that:

- the integrity of Namoi Cotton's financial statements are prepared on the basis that there are appropriate internal controls and that there is sufficient compliance with their controls to ensure no material misstatement of Namoi Cotton's affairs and financial position; and
- Namoi Cotton's risk management and control systems are operating effectively in all material aspects.

Namoi Cotton's management has reported to the Board as to the effectiveness of Namoi Cotton's management of its material business risks.

The Interim Acting CEO (also the CFO) has given the Board his declaration in accordance with section 295A of the Corporations Act 2001. The Interim Acting CEO (also the CFO) has confirmed that the declarations are founded on a sound system of risk management and internal control and also that the system is operating effectively in all material respects in relation to financial risks.

Namoi Cotton has established policies for the management and governance of material business risks for Namoi Cotton. The risk management framework for Namoi Cotton covers:

- financial risk – risks associated with financial outcomes. These risks include market risk, credit risk, liquidity risk;
- operational risk – risks associated with normal operations. These risks include project management, systems, fraud and day to day running risks; and
- regulatory and compliance risk – failure to comply with legislative requirements corporate and operational.

Broadly the Financial Risk Committee is responsible for:

- reviewing and monitoring the policies and limits in the risk management policy;
- reviewing and monitoring the procedures adopted for treasury functions;
- reviewing and monitoring hedging strategies adopted by Namoi Cotton;
- receiving external reports relating to risk management activities.

The Namoi Cotton Alliance joint venture (in which Namoi Cotton is a substantial 51% shareholder), has the potential exposure to a number of market and financial risks associated primarily with its cotton lint marketing business, which may include movements in commodity and currency markets. The Financial Risk Committee and the Namoi Cotton Board regularly receives reporting on the risk positions held by Namoi Cotton Alliance. The Financial Risk Committee will review and monitor these risk positions and provide guidance on these matters to the Namoi Cotton Board. The Namoi Cotton Alliance business comprises a Joint Venture Committee and Risk Management Committee to monitor that, Namoi Cotton Alliance Management is complying with the comprehensive Namoi Cotton Alliance Risk Management Policy. The risks governed by the Namoi Cotton Alliance Risk Management Policy includes cotton price risk, cotton basis risk, cotton futures spread risk, foreign exchange risk, interest rate risk, credit risk, cotton grade risk and funding and liquidity risks. The Namoi Cotton Alliance Risk Management Committee and Namoi Cotton Alliance Joint Venture Committee, along with Namoi Cotton Limited (indirectly) monitor compliance with the Namoi Cotton Alliance Risk Management Policy from time to time to ensure risks are managed within the appropriate risk parameters.

The Financial Risk Committee, Management and the Board reviews Namoi Cotton's risk management framework annually to satisfy itself the framework continues to be sound.

Namoi Cotton does not have an internal audit function. The Board considers that due to the size of Namoi Cotton such function would not be cost effective. However certain employee task segregation for example back office and front office treasury and payment functions. The Board may engage an independent third party to undertake an internal audit if necessary, at any time.

As advised earlier in this statement the Board for the 2020 Financial Year will manage these risks under the Risk Committee and Safety Committee proposed to be formalised by the Board.

The Board established from 28 August 2018, a separate Safety Committee for which its Committee Charter is in the process of being finalised and adopted by Namoi Cotton. The Safety Committee will be responsible for managing the environment and occupational health and safety risks and is committed to advancements of safety systems, protective equipment and capital expenditure to mitigate environmental, occupational health and safety risks.

Recommendation 7.4 – Should disclose whether it has material exposure to economic, environmental and social sustainability risks and if so, how such risks are intended to be managed

Namoi Cotton is committed to identifying and managing economic, environment, and social sustainability risks which may create material exposure for Namoi Cotton in the short, medium and long term.

Economic Sustainability risks for Namoi Cotton are financial management, maintaining market share, retaining existing ginning clients and obtaining new ginning clients, managing and trading the cotton seed business prudently. In addition, a major economic risk is the performance and distribution

pursuant to the Namoi Cotton Alliance Joint Venture. Namoi Cotton Alliance key economic risks are supply and demand risks which can be impacted by cotton futures and foreign exchange trading conditions, overseas demand and regulatory conditions.

Namoi Cotton and Namoi Cotton Alliance have risk management policies (“RMP’s”) which considers and provides limits for economic risk exposures. The Board exercise economic risk management by fiscal control on capital projects and approval of budgets.

Namoi Cotton manages risks in relation to environmental sustainability include spills at gin sites, air and noise pollution or EPA license breaches. Namoi Cotton on a regular basis conducts independent environmental risk assessments for each ginning site.

Internally Namoi Cotton on an annual basis conducts environmental audits. Namoi Cotton does not believe it has any material exposure to such environmental risks at the date of this statement.

Namoi Cotton is primarily based in regional locations, the sustainability of these communities is important to Namoi Cotton. When possible Namoi Cotton supports local communities and organisations. Namoi Cotton has various charity events in which it supports local regional schools, clubs, hospitals and emergency services.

Namoi Cotton is aware of the risk of water and water allocations for its clients and annually assesses the impact of water and water allocation risk internally and with external advisers.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Namoi Cotton is committed to ensuring that remuneration packages for Directors and Management are fair and reasonable. Namoi Cotton has established a Nomination and Remuneration Committee to assist the Board in reviewing Namoi Cotton remuneration policies and practices. In addition, the Board has adopted a Remuneration Policy which is available on the Namoi Cotton website.

The Nomination and Remuneration Committee conducts an annual assessment of the performance of the Board, Committees, the Directors, the Chief Executive Officer and Senior Executive.

It is the Board’s responsibility to ensure that Namoi Cotton has the appropriate remuneration policies in place, which are designed to meet the needs of Namoi Cotton and enhance corporate and individual performance.

Details of Namoi Cotton’s remuneration policies are set out in the Remuneration Report on pages 22 to 30 of the 2019 Annual Report, which is available on the Namoi Cotton website www.namoicotton.com.au.

Namoi Cotton may pay retirement benefits to Directors in accordance with the ASX Listing Rules and Corporations Act.

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

Senior Executive remuneration for any increase is reviewed on an annual basis. To assist in Director or Senior Executive remuneration reviews the Board may seek bench marking from external advisers.
