

BOARD CHARTER

As reviewed by the Board at its meeting on 25 July 2016

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1 | Purpose, objectives and values

CHOICE's purpose and objectives were updated as part of a review of the constitution in 2013. They are set out in rule 2 of the constitution:

Purpose and objectives of the company

- 2.1 Recognising the inequality in bargaining power between consumers and businesses, the overall purpose of the company is to work for fair, just and safe markets that meet the needs of Australian consumers. To achieve this purpose, the company seeks to:
 - 2.1.1 ensure that consumers are able to understand and use or defend their rights;
 - 2.1.2 empower consumers to engage actively in markets and make informed choices that reflect their best interests and values;
 - 2.1.3 drive transformation of markets to create better products and services at fair and competitive prices;
 - 2.1.4 give consumers a voice in the debates that matter to them;
 - 2.1.5 achieve strong consumer protection through appropriate laws and industry behaviour; and
 - 2.1.6 ensure that consumers receive a fair deal.

- 2.2 The company pursues its purpose and objectives by:
 - 2.2.1 conducting research and testing in relation to products, services and markets;
 - 2.2.2 promoting good practice in the production, marketing and delivery of products and services, including transparency around claims made about products and services;
 - 2.2.3 promoting transparency around the price, quality, characteristics and safety of consumer products and services;
 - 2.2.4 pursuing market and regulatory arrangements that enhance and protect the interests of consumers and ensure easy, effective redress for concerns about products, services or other conduct by suppliers;
 - 2.2.5 raising awareness among industry, government and the broader community about issues that matter to consumers;
 - 2.2.6 providing information, tools and services to meet the diverse needs of consumers; and

2.2.7 doing all other activities ancillary to, or necessary for, the fulfilment of the purpose and objectives of the company.

Our values are:

- We are fearless in finding TRUTH. We speak it, hear it, see it, share it & live it.
- We HELP each other, our members and all consumers.
- We make an IMPACT with a mix of rigour and humour.



2 | Board Composition

The company has between 9 and 12 Directors, comprising:

- 9 elected Directors; and
- up to 3 co-opted Directors.

Three of the elected Director positions are elected each year.

Co-opted Directors are appointed by the Board. The co-option process is used from time to time, to address skill gaps identified by the Board.

The normal term of office of a Director is three years and Directors are generally only able to serve for three consecutive terms.

3 | Role of the Board

The Board is responsible for overseeing the effective performance of the company, including:

- maintenance of the company's purpose and values;
- the ongoing development and sustainability of the company; and

- providing input into and reviewing its strategic direction.

The Board is ultimately legally accountable but recognises management's need to act with certainty and with the clear support of the Board and therefore:

- delegates the majority of responsibilities to its managers, setting out clearly its expectations for performance and the way in which performance will be monitored; and
- defines those responsibilities that it reserves for itself and equally is clear about how these responsibilities will be performed.

The business of the Board includes:

- consideration and approval of the strategy and business plan including the policy framework and broad priorities;
- ensuring competent management and financial stability of the company through appointment of a CEO and broad oversight of management performance;
- consideration and approval of the annual budget and any proposed (material) changes to the plans or budgets;
- determining the nature, form and regularity of reports from management to the Board on the performance of the company, covering all material aspects of CHOICE's operations, including key areas of risk, and as appropriate, measurements against targets and budget;
- considering and commenting on reports from management;
- setting delegation limits and authorities for management to commit resources;
- understanding any significant risks to employees, the company's standing, profits and assets, and approving management's plans to mitigate those risks;
- oversight of audit processes and making recommendations as required about appointment of auditors;
- approval of corporate governance policies;
- ensuring compliance with the company's legal accountabilities, including approval of the financial statements, Directors' report and annual report; and
- Board operations including succession planning.

4 | Role of individual Directors

Individual Directors are expected to maintain 100% attendance at Board meetings. Any application for leave of absence must be made through the Chair.

Code of Ethics

The Board considers that there are certain basic ethical values that underpin the role of Directors of CHOICE. Directors will therefore:

- have an active concern for the purpose and values of the company and the members and customers it serves;
- diligently apply themselves to the business of the Board with the level of skill and care expected of a Director under the Corporations Act;
- act at all times with integrity and in the interests of the company as a whole;
- avoid any situation of conflict of interest so far as is possible, and manage any conflict which cannot be avoided;
- recognise and respect the distinct roles of the Board and management;
- work co-operatively with each other as members of the Board, engaging in debate;
- work co-operatively with management;
- not make improper use of information gained through their position as Director;
- keep confidential all Board discussions and deliberations and papers; and
- observe the spirit and letter of the laws under which the company operates.

Conflicts of interest

The standard of behaviour at CHOICE is that all staff and Directors scrupulously avoid conflicts of interest between the interests of the company on the one hand and personal, professional and business interests on the other. This includes avoiding potential and actual conflicts of interest as well as perceptions of conflicts of interest.

Directors are required to disclose any interests that involve potential conflicts with their role as a Director. Interests such as employment, directorships, other relevant appointments and material personal interests relating to the affairs of the company should be listed in the Board Register of Interests Update form (see **Appendix 3**). Any interests declared on this form are published on the CHOICE website.

In addition, Directors are required to declare any significant direct shareholdings, including personal superannuation schemes, using the Board Register of

Shareholdings form (see **Appendix 3**). The Chair retains the records of any such declarations and should not disclose them to other Board members, staff or the public unless required by law or in the interests of the company. The Chair would generally only use the information in these declarations to raise a potential conflict of interest with a Board member where the Board member has not done so.

At the start of each meeting, each Director is required to complete a form identifying any potential conflicts of interest relevant to the agenda for that meeting and any updates to his or her general declaration of interests.

5 | Role of the Chair

The Chair's overarching responsibility is to ensure that the Board properly fulfils its responsibilities. The Chair must ensure that the Board fully utilises the knowledge and skill available to it. Inside the boardroom, the Chair's principal task is to ensure the Board considers the right matters, considers them properly, comes to clear conclusions, and ensures decisions are implemented. This includes setting of meeting agendas, allocation of times, keeping discussion focused, and expressing the consensus of the Board. Additionally the Chair, as leader of the Board, should work to ensure positive dynamics both inside and outside the boardroom.

The Chair is the link between the Board and management between meetings and should be aware of any developments that may require him/her to take action on behalf of the Board or call a special meeting. The Chair should provide the CEO with guidance on matters of Board concern.

Whilst the CEO is the primary spokesperson for the company, there may be times when it is appropriate for the Chair to represent the company externally.

If the Chair is unable to fulfil any aspect of his or her role due to a conflict of interest or other specified reason, the Deputy Chair will replace the Chair. If the Deputy Chair is unable to do so due to a conflict or other specified reason, the Board will appoint another director to fulfil the relevant functions.

6 | Role of the CEO

The role of the CEO is to lead CHOICE and to ensure the delivery of its purpose, by:

- developing the company’s strategic priorities;
- ensuring their delivery; and
- measuring their success.

The CEO’s role also includes:

- managing the operations of the company;
- providing regular reports on key activities and progress against the annual business plan and targets;
- ensuring compliance with reporting requirements and statutory obligations;
- ensuring that there are opportunities for members to inform the company’s priorities and work;
- managing relationships with key external stakeholders; and
- representing and promoting CHOICE externally, including internationally.

The Board evaluates the CEO’s performance annually, against performance goals set by the Board, as detailed in the CEO Performance Review Policy, **Appendix 6**.

7 | Role of the Company Secretary

The Company Secretary performs the duties and responsibilities of a company secretary as required by the Corporations Act, the company’s constitution and any other relevant legislation. Working to the Board through the Chair, the Company Secretary’s role includes:

- maintaining a register of Board policies;
- advising the Board on compliance with the company’s statutory obligations and constitution (drawing upon specialist external advice as required);
- managing the Board election process, and the provision of notice to members of general meetings;
- providing secretariat services to the Governance Committee and Nominations Committee;
- monitoring and advising the Board on developments in research and good practice in relation to corporate governance;

- ensuring completion and lodgement of statutory forms with ASIC; and
- coordinating Board induction and development.

8 | The Board and strategy

The Board approves the organisational strategy. The plan is developed through a process led by the CEO, which provides opportunities for Board input and discussion before a final plan is presented for approval.

The Board also approves an annual business plan, as well as annual budget and targets. In approving the Business Plan, the Board agrees on a schedule for reporting against the plan during the year.

9 | Risk management

Although the Board has established a Finance, Risk and Audit Committee to oversee and advise on risk management issues, this does not absolve Directors of their responsibility to understand and interrogate the company's approach to assessing and managing risks. To assist Directors with this responsibility, the Committee oversees the development and maintenance of an Enterprise Wide Risk Management Framework (see **Appendix 7**), drawing upon specialist advice as required.

The Board receives reports on risk issues through the CEO's reports to the Board and the reports of the Committee. The Board also receives a dedicated report on workplace health and safety issues at each meeting.

In addition to this regular reporting, the CEO is expected to report any significant risks and strategies to mitigate them, to the Board as they arise.

10 | Policy framework

The Board approves policies as required to ensure the effective governance of the company, consistent with the constitution.

A review date is identified for each policy as it is approved, to ensure a regular cycle of review.

11 | Stakeholder communication

Responsibility for stakeholder communication resides with the Chair and CEO.

In general, the Chair is responsible for communication with members and the CEO is responsible for communication with organisational stakeholders such as other consumer organisations, government bodies, politicians, business partners and industry associations.

Other Directors assist in managing relationships with stakeholders, where agreed with the Chair.

12 | Decision making

While the constitution provides that resolutions are passed by a majority of the votes cast by eligible Directors, in practice, the Chair establishes whether there is majority support for a resolution through the discussion of the resolution and confirms this at the end of the discussion.

The constitution allows for circulating resolutions. This provision would usually only be used for urgent and non-controversial decisions.

The Board aims for respectful yet vigorous discussion in which disagreement is an accepted part of the process but the aim is eventual consensus. Once the Board has made a decision, Directors are expected to support it as a decision of the Board.

13 | Board meetings

The Board meets on dates and at locations set in the Board calendar at the commencement of each year. The normal meeting pattern involves five face-to-face meetings per year and up to two teleconferences where required to progress business. The Chair may also call additional meetings where required.

The overall management of the business of the meetings is the responsibility of the Chair in consultation with the CEO.

Outside of Board meetings, the CEO is the principal point of contact with management on behalf of the Board. The Chair is the principal way through which Board members interact with management. Chairs of committees will also have direct contact with managers responsible for servicing those committees.

Board members are expected to exercise care and appropriate confidentiality in their communication on Board matters with each other and with external parties.

14 | Board agenda and papers

At the start of each year, the Chair and CEO develop an agenda plan for the year that identifies the major items of business for each meeting. This is reviewed and updated as the year progresses.

The Chair and CEO agree on the agenda for each meeting. Directors who wish to raise items that are not listed in the agenda plan are expected to raise them with the Chair in advance.

Board papers are normally distributed one week before the meeting date.

Board papers are made available in electronic format by default, with printed copies available on request. Directors are expected to ensure that papers (whether electronic or hard copy) are stored in a secure manner, and that any papers and other records (including emails, data and reports relevant to your role as a Director) are destroyed or returned when they leave the Board.

15 | Committees

The role and composition of Board committees is normally reviewed at the first meeting of the calendar year, following an evaluation of current committees.

The process for evaluating each committee will be determined annually by the Chair of the Board, in consultation with the Chair of the respective committee. Among other things, the evaluation may address:

- whether continuation of the committee is necessary;
- whether the committee's terms of reference need to be updated;
- whether the composition of the committee is correct; and
- any impediments to it effectively carrying out its role.

This forms the basis of a Board paper outlining any proposed changes to Board committees.

16 | Director protection

Rules 11.1 and 11.4 of the constitution address indemnity and liability of Directors.

11.1 Indemnity

11.1.1 To the extent permitted by the Corporations Act, the company indemnifies every person who is or has been an officer of the company against:

11.1.1(a) any liability (other than the liability for legal costs) incurred by that person as an officer of the company; and

11.1.1(b) reasonable legal costs incurred in defending an action for a liability incurred by that person as such an officer of the company, unless prohibited by the Act.

11.1.2 The indemnity does not extend to and is not an indemnity against any amount in respect of which the indemnity would otherwise be illegal, void or unenforceable or not permitted by law and does not operate in respect of any liability of the officer to the extent that liability is covered by insurance.

11.4 Liability

An officer of the company is not liable for the act, neglect or default of any other officer or for joining in any act or for any other loss, expense or damage which arises in the execution of the duties of her or his office unless it arises through her or his own negligence, default, breach of duty or breach of trust.

CHOICE maintains Directors and Officers liability insurance. Information on the current policy is provided in **Appendix 4**.

17 | Board evaluation and development

The Board conducts a self-evaluation every two years usually around the end of the calendar year so that any outcomes can be incorporated into Board planning for the following year. The self-evaluation addresses the Board's performance in relation to strategy, governance, skills, papers, meetings and committees. The process is also used to identify collective and individual development needs.

The Governance Committee is responsible for advising the Board on the way in which the evaluation is conducted and the best way to address the results of the evaluation.

In addition, the Board commissions external reviews of its performance at least every five years, on the advice of the Governance Committee.

18 | Director selection

Before nominations open for the election of Directors, the Governance Committee is responsible for undertaking an audit of the skills of Directors who are not facing election and advising the Board on the priority skills for vacant positions. The Board will determine the priority skills areas so that this advice can be provided to members considering standing for election to the Board, and so that it can be used as a guide by the Nominations Committee when assessing candidates.

The Board will appoint a Nominations Committee before the close of nominations, in accordance with Rule 6.6 of the constitution. The role of the Nominations Committee is set out in Rule 6.7 of the constitution and includes to assess candidates against the skill priorities identified by the Board, and to advise the Board on the information that should be provided to members as part of the election process. The Board determines the final form of this information.

Where a casual vacancy arises, the Board will, on advice from the Governance Committee, identify the skills required of the Director appointed to the casual vacancy. The Board may also from time to time identify a skill gap that could be addressed through co-option. In either of these cases, the Governance Committee will normally advise the Board on the process for identifying suitable candidates. The process for identifying candidates will vary depending on the circumstances but may involve inviting nominations from voting members, conducting a search process through Directors' networks or engaging a search firm.

The Board is committed to gender equality in Board composition. The Board will consider this target when seeking candidates for casual vacancies and co-option. The Board will encourage nominations from women in Board elections and present information on gender diversity within the Board for members to consider when voting.

The Board will also strive to ensure that the Board reflects the diversity of the Australian community in areas other than gender.

19 | Director expenses

Directors do not receive any remuneration for services in their capacity as Directors but CHOICE may reimburse Directors for reasonable out-of-pocket expenses.

Records of any payments made to Directors are submitted to the Board for approval (after payments have been made).

Unless agreed otherwise, CHOICE books air travel and accommodation on behalf of Directors.

20 | Director induction

Each new Director is provided with an induction manual and expected to attend an induction program, organised by the company Secretary. This typically involves a series of briefings with senior managers, covering:

- the company's strategy
- key areas of operations;
- metrics and reporting; and
- risks.

Directors may also request briefings on other issues.

New Directors are also offered the opportunity to attend the Governance for Directors course or Company Director's course offered by the Australian Institute of Company Directors.

The Governance Committee is responsible for conducting an annual review of the induction program for new Directors.

21 | Review of Directors' performance

Prior to the annual election process, the Chair conducts a review of the performance of any Directors seeking re-election, in consultation with the other Directors, as set out in the Review of Directors Performance policy, Appendix 6.

22 | Appendices

- Appendix 1 – Register of Board policies
- Appendix 2 – Delegations
- Appendix 3 – Conflict of interest forms
- Appendix 4 – Management liability insurance
- Appendix 5 – CEO Performance Review policy
- Appendix 6 – Director Performance Review policy
- Appendix 7 – Risk Management policy