

# **INDEPENDENCE OF DIRECTORS POLICY**

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## Document Control

Version #	Reviewed By	Date	Endorsed By	Date	Approved By	Date	Summary of Change
01		2017			Board	April 2017	Original Policy
02	GM BOP	Oct 2020	BHRC	Oct 2020	Board	Nov 2020	Aligned to new format and to the ASX Corporate Governance Council's <i>Corporate Governance Principles and Recommendations</i> , 4 <sup>th</sup> Edition
03	GM BOP	July 2022	BHRC	July 2022	Board	July 2022	Minor grammar, formatting and expansion of clause 4
<b>Policy Steward</b>							<b>Company Secretary</b>
<b>Document Owner</b>							<b>General Manager BOP</b>
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# INDEPENDENCE OF DIRECTORS POLICY

## 1 Purpose

The Board acknowledges that the overall purpose of independence is to ensure that a director does not have a relationship that could, or could reasonably be perceived to, materially interfere with a director performing his or her role as a director or that could inhibit free Board discussion of matters coming before the Board.

This policy has been developed to:

- specify how the Board will assess the independence of each director, including the matters that will be taken into account in such an assessment
- outline directors' obligations and procedures in respect of conflicts of interest
- outline how and when the Board will disclose information regarding director independence to members.

## 2 Scope

This Policy applies to all Dairy Australia directors.

This Policy must be read in conjunction with the *Conflict of Interest procedure*.

## 3 Background

In accordance with Dairy Australia's obligations under its Statutory Funding Contract with the Commonwealth of Australia, Dairy Australia is committed to implementing a framework of good corporate governance practice drawing on best practice guides.

Dairy Australia's Board Charter provides that a majority of directors (including the Chair) will be independent directors.

The Board of Dairy Australia is a skills-based board, and whilst the Board is conscious of the need to have independent directors, it must also ensure that directors can add value in the context of Dairy Australia's business. Therefore, while maintaining a majority of independent directors, the Board will seek to ensure that there are directors who have a strong understanding of Dairy Australia's role as the industry owned national services body for the dairy industry and the various aspects of the dairy supply chain.

This policy has been developed taking into account the commentary and recommendations on independence in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, 4th Edition ('the ASX Recommendations').

The Board will regularly review and assess the independence of each non-executive director, having regard to information relevant to this assessment as disclosed by each non-executive director to the Board, and in accordance with this Policy. In addition, the independence of a director will be reviewed as soon as practicable after the Board becomes aware of any change in that director's interests,

positions, associations or relationships. The Board may delegate this activity to the Board Human Resources Committee. The Board will have discretion to determine if a director is independent.

## 4 Assessment of Independence

The Board will assess the independence of directors in accordance with the definition of independence set out in the ASX Recommendations, namely an independent director is

‘a director who is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than those of an individual security holder or other party.’

In assessing independence, the Board will take into account those relationships set out in the ASX Recommendations that are relevant in the context of Dairy Australia’s business, which may affect independence, namely whether the director:

- is, or has been, employed in an executive capacity by Dairy Australia and there has not been a period of at least three years between ceasing such employment and serving on the Board
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, Dairy Australia
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with Dairy Australia, or is an officer of, or otherwise associated with, someone with such a relationship
- is a current levy payer and contributes 5% or more of Dairy Australia’s levy income
- is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder
- has close personal ties with any person who falls within any of the categories described above
- has been a director of Dairy Australia for such a period that their independence from management and substantial holders may have been compromised.

In each case, the materiality of the interest, position or relationship needs to be assessed by the Board to determine whether it might interfere, or might reasonably be seen to interfere, with the director’s capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Dairy Australia as a whole rather than in the interests of an individual security holder or other party.

Materiality is considered from the perspective of both Dairy Australia and its directors, excluding those directors who are the subject of that particular assessment.

The independence of each director will be:

- considered prior to appointment, in accordance with Dairy Australia’s policies and procedures for the selection and appointment of new directors to the Board
- re-assessed at least annually, and
- re-assessed on such other occasions and at such other times determined by the Board having regard to disclosures made by the director of any new interests, positions, associations or relationships.

## 5 Conflicts of Interest

Directors must disclose any material personal interest, or any other interest which may give rise to a real, or substantial possibility of, a conflict of interest in relation to any matter which is or is likely to be brought before the Board (a Conflict). Such interests include, but are not limited to, the matters set out in clause 4 of this Policy.

The Company Secretary will maintain a list of any Conflicts disclosed by the directors.

Where a Conflict is disclosed, the director will:

- a) continue to receive Board papers or other information that relates to the matter or issue the subject of the conflict of interest, unless the director requests, the Company Secretary or the Chair determines, that he or she not receive any or all of those documents
- b) withdraw from any part of a Board or Board Committee meeting for the duration of any discussion on that matter, and
- c) not vote on the matter.

If a director has a Conflict, a majority of directors who do not have an interest in such a matter may resolve that the Conflict should not disqualify that director from:

- being present while the matter is being considered, in which case clause 5b) will not apply and the director may be present, or
- voting while the matter is being considered, in which case clause 5c) will not apply and the director may vote on the matter.

If a majority of the directors pass a resolution in accordance with the clause above, the minutes will record that resolution, including the nature and extent of the Conflict, its relation and relevance to the affairs and business of Dairy Australia and the reasons why the directors considered that the Conflict should not disqualify the director from being present or voting (as applicable).

## 6 Disclosure by Directors

Each director must, in accordance with this Policy and clause 6.3 of the Board Charter, advise Dairy Australia of any relevant interests and ensure that any matters which could present a conflict of interest are advised to the Board. These include, but are not limited to, the matters set out in clause 4 of this Policy.

If there is any change in a director's interests, positions, associations or relationships that could bear upon his or her independence (including, but not limited to, the matters set out in clause 4 of this policy), that director must inform the Board at the earliest opportunity.

## 7 Disclosure by the Board

The Board will make the following disclosures in the Dairy Australia Annual Report:

- the names of the directors considered by the Board to be independent directors
- if a director has an interest, position, association or relationship of the type referred to in clause 4 above, but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, or relationship in question and an explanation of why the Board is of that opinion, and
- the length of service of each director.

## 8 Compliance and Assurance

The General Manager BOP must ensure appropriate monitoring compliance processes are in place for this Policy. Breaches of this Policy should be recorded as an incident.

## 9 Roles and Responsibilities

The table below documents relevant roles and responsibilities:

Role	Responsibilities
Chair	<ul style="list-style-type: none"><li>• Regularly review and assess the independence of each non-executive director</li></ul>
Directors	<ul style="list-style-type: none"><li>• Disclose any material personal interest, or any other interest which may give rise to a real, or substantial possibility of, a conflict of interest in relation to any matter which is or is likely to be brought before the Board</li></ul>
Company Secretary	<ul style="list-style-type: none"><li>• Maintain a list of any Conflicts disclosed by the directors</li></ul>

## 10 Review

In line with Dairy Australia's Policy Governance Policy, this policy is scheduled for review every two years or more frequently if appropriate.