



Patties Foods Ltd
ACN 007 157 182

Board Charter

August 2011

1. INTRODUCTION

- 1.1 The board of directors (**Board**) of Patties Foods Limited ACN 007 157 182 (**Patties** or **Company**) is responsible for the corporate governance of the Company and its controlled entities (**Group**).
- 1.2 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 Group and effective management oversight.

2. BOARD SIZE, COMPOSITION AND INDEPENDENCE

- 2.1 The Constitution provides that there must be a minimum of three directors and a maximum of 10 directors. The Board considers that, based on current circumstances, it is preferable to have no more than 7 directors.
- 2.2 The Board should comprise:
 - (a) a majority of independent directors;
 - (b) directors with an appropriate range of skills, experience, expertise and diversity;
 - (c) directors who can understand and competently deal with current and emerging business issues; and
 - (d) directors who can effectively review and challenge the performance of management and exercise independent judgment.
- 2.3 An independent non executive director is one who:
 - (a) is independent of management;
 - (b) is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment;
 - (c) meets the criteria for independence set out in Box 2.1 of the *Principles of Good Corporate Governance and Best Practice Recommendations* published by the ASX Corporate Governance Council (**Best Practice Recommendations**);
 - (d) has not served on the Board for a period which could materially interfere with the director's ability to act in the best interests of the Company; and

- (e) does not have any interest or business relationship which could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Company.

'Materiality' for these purposes is assessed on a case by case basis having regard to the Company's and the relevant director's circumstances, including the significance of the relationship to the director in the context of the director's activities as a whole.

- 2.4 The Company's Remuneration and Nomination Committee is responsible for recommending candidates for appointment to the Board and the re-appointment of existing directors after reviewing the candidate's skills, experience, expertise and background within the context of a matrix of desired skills, experience, expertise and diversity.

3. ROLES & RESPONSIBILITIES

The Board is responsible for the overall operation and stewardship of the Company and, in particular, is responsible for the long-term growth and profitability of the Company. Charting the direction of the Company leads the Board to setting financial objectives, approving strategies and monitoring their implementation.

Specific duties and responsibilities of the Board include:

Strategy

- Providing input to, and approval of, the Company's strategic direction, budgets and annual operating plans (including objectives, goals and strategies) as developed by management.
- Directing, monitoring and assessing the Company's performance against strategic and business plans, to determine if appropriate resources are available.
- Approving and monitoring capital management and major capital expenditure, acquisitions and divestments.
- Approving capital structure and dividend policy.
- Approving charters of board committees.

Financial

- Approving and monitoring internal and external financial and other reporting, including reporting to shareholders, the ASX and other stakeholders.
- Determining dividend payments.

Risk Management

- Identifying the principal risks of the Company's business.
- Reviewing and ratifying the Company's systems of internal compliance and control, risk management, legal compliance ethical standards and policies to ensure appropriate compliance frameworks and controls are in place.

Senior Executive appointment, performance and remuneration

- Appointment and removal of the Managing Director (or equivalent) and the Company Secretary, including the terms of appointment and removal.
- Approval of the remuneration and incentive framework and payments for the Managing Director.
- Ratifying the appointment and removal of Senior Executives and the terms of appointment and removal.
- Approving criteria for assessing the performance of Senior Executives and monitoring and evaluating the performance of senior executives.
- Approval of the remuneration and conditions of service for Senior Executives
- Approval of the overall remuneration and incentive framework for all staff.
- Establishing and monitoring executive succession planning.
- Delegating authority to the Managing Director.
- Monitoring the performance of the Managing Director and other Senior Executives.

Diversity

- Promoting diversity within all levels of the Company.
- Approving the Company's policies in relation to diversity at all levels of the Company (including the Board) and subsequent amendments to those policies.
- Establishing measurable objectives for achieving diversity at all levels of the Company (including the Board).
- Regular reviews (at least annually) of performance against the diversity objectives established by the Board including progress in achieving them, the proportion of men and women at all levels (including the Board) and the progress of various diversity initiatives approved by the Board.
- The Company's Remuneration and Nomination Committee is responsible for making recommendations to the Board to assist in carrying out these duties and responsibilities.

Governance and Ethical

- Monitoring and ensuring ethical behaviour and compliance with the Company's own governing documents, including the Company's Code of Conduct.
- Monitoring and evaluating the Company's compliance with corporate governance standards and best practice corporate governance requirements.

- Promoting and maintaining corporate values and a culture where transparent and timely information is shared between management and the Board.
- Promoting development of a high integrity achievement culture.

In performing the duties and responsibilities set out above, the Board should act at all times in a manner designed to create and continue to build sustainable value for shareholders and in accordance with the duties and obligations imposed on it by the Company's Constitution and by law.

4. BOARD AUTHORITY

The Board is authorised to:

- (a) investigate and review any matters within its area of responsibility;
- (b) seek information from any director, officer or employee of the company or any company in the group, or from any advisor, agent or representative of any of them; and
- (c) follow the process specified in clause 11 to access resources from within the Group or from any external legal, accounting or other advisors of the group as it considers necessary for the purpose of fulfilling its duties at the Company's expense.

5. BOARD COMMITTEES

- 5.1 The Board may establish committees to assist in the execution of its responsibilities. The general role of any Board committee is to review and analyse policies and strategies within its charter. The Board committee may not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.
- 5.2 The primary purpose of any Board committee is to facilitate appropriate involvement by directors, ensure contestability of opinion and raise the level of interaction between the Board and management.
- 5.3 The Board has established the following committees to assist in carrying out the responsibilities to share detailed work and to consider certain issues and functions in detail:
 - (a) Audit, Risk and Compliance Committee; and
 - (b) Remuneration and Nomination Committee.
- 5.4 The charter or terms of reference of any Board committee setting out matters relevant to the composition, responsibilities and administration of the committee must be approved by the Board. Each committee will review its charter from time to time as appropriate.
- 5.5 All directors are entitled to attend committee meetings as non members and are entitled to receive committee papers.

6. CHAIRPERSON OF THE BOARD

- 6.1 The chairperson of the Board:
- (a) is appointed by the directors;
 - (b) must be an independent non executive director; and
 - (c) may not be the same person as the Managing Director and the Managing Director may not become the chairperson of the Board.
- 6.2 The division of the responsibilities of the chairperson of the Board and the Managing Director have been agreed by the Board and are set out in this charter.
- 6.3 The responsibilities of the chairperson of the Board include:
- (a) providing leadership to the Board and the Group;
 - (b) promoting the efficient organisation and conduct of the Board's functions;
 - (c) ensuring the Board considers, adopts, reviews and monitors strategies designed to meet present and future needs of the Company and the Group;
 - (d) ensuring the Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties;
 - (e) monitoring the performance of the Board, including initiating and implementing a process for regular reviews of the performance of all directors, including the chairman
 - (f) attending Board committee meetings where appropriate;
 - (g) facilitating Board discussions to ensure core issues facing the Company and the Group are addressed;
 - (h) briefing all directors in relation to issues arising at Board meetings;
 - (i) facilitating the effective contribution and ongoing development of all directors;
 - (j) promoting constructive and respectful relations between Board members and between the Board and management;
 - (k) ensuring the Board regularly meets to consider the Company's and the Group's performance and key issues facing it;
 - (l) setting the agenda for the Board meetings after consulting with the Managing Director; and
 - (m) chairing Board and general meetings.

7. MANAGING DIRECTOR AND EXECUTIVE TEAM

- 7.1 Responsibility for day to day management and administration of the Company is delegated by the Board to the Managing Director and the executive team.
- 7.2 The Managing Director manages the Company in accordance with the strategy, plans and policies approved by the Board.
- 7.3 The Managing Director is appointed by the Board.
- 7.4 The responsibilities of the Managing Director include:
 - (a) developing and recommending to the Board strategies, business plans and annual budgets for the Company;
 - (b) implementing the strategies, business plans and budgets adopted by the Board;
 - (c) providing effective leadership, direction and supervision of the executive team to achieve the strategies, business plans and budgets adopted by the Board;
 - (d) developing and managing resources, policies and systems to ensure the effective operation of the Company (including policies on risk management, internal controls and human resources);
 - (e) managing resources within budgets approved by the Board;
 - (f) implementing the Company's risk management policies and ensuring compliance with applicable laws and regulations;
 - (g) negotiating the terms and conditions of appointment of senior executives for Board approval;
 - (h) endorsing the terms and conditions of appointment of all other staff members;
 - (i) ensuring a culture of compliance generally, and specifically in relation to human rights, equal opportunity, diversity and environmental matters;
 - (j) seeking to ensure that all personnel act with the highest degree of ethics and probity;
 - (k) keeping the Board informed, at an appropriate level, of all the activities of the Company and ensuring the Board is given sufficient information to enable it to perform its functions, set strategies and monitor performance;
 - (l) ensuring that each Board committee is given sufficient information to enable it to perform its functions and is aware of issues which fall within the committee's accountabilities and delegated authority; and
 - (m) acting within authority delegated by the Board.

- 7.5 The Managing Director is formally delegated by the Board to authorise all expenditures as described in the budget that has been formally approved by the Board, subject to:
- (a) the Managing Director's remuneration, outside of approved monthly remuneration, being authorised by the Chairman;
 - (b) all business related expenses paid to the Managing Director being authorised or ratified by the Chairman; and
- 7.6 The Board has in place procedures to assess the performance of the Managing Director and executive team.

8. COMPANY SECRETARY

The Board is supported by the Company Secretary who is accountable through the chairperson of the Board on corporate governance matters. The Company Secretary is responsible to the Board for ensuring that Board procedures are complied with. The appointment and removal of the Company Secretary is a matter for the Board.

9. DIRECTORS

- 9.1 Directors are expected to attend and participate in Board meetings and meetings of committees on which they serve unless there is a valid reason for non attendance.
- 9.2 Directors are expected to spend the time needed, and meet as often as necessary, to properly discharge their responsibilities.
- 9.3 Directors are expected to review meeting materials before Board meetings and committee meetings.
- 9.4 Directors are 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.
- 9.5 Directors must exercise independent judgment when making decisions.
- 9.6 Publicly, directors are expected to support the letter and spirit of Board decisions.
- 9.7 Directors must keep Board information, discussions, deliberations, and decisions that are not publicly known, confidential.
- 9.8 Directors are required to disclose, on an ongoing basis, any interest that could potentially conflict with those of the Company or any part of the group.
- 9.9 Any director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter.

- 9.10 Directors must comply with their legal duties when discharging their responsibilities as directors. Broadly, these duties are:
- (a) to act in good faith and in the best interests of the Company; and
 - (b) to act with care and diligence;
 - (c) to act for proper purposes;
 - (d) to avoid a conflict of interest or duty; and
 - (e) to refrain from making improper use of information gained through the position of director or taking improper advantage of the position of director.

10. CONFLICTS

- 10.1 Directors are expected to be sensitive to conflicts of interest or duty that may arise and mindful of their fiduciary obligations.
- 10.2 Directors must:
- (a) disclose to the Board any actual or potential conflict of interest or duty that might reasonably be thought to exist as soon as the situation arises;
 - (b) take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty; and
 - (c) comply with the *Corporations Act 2001 (Cth)* and the Company's constitution in relation to disclosing material personal interests and restrictions on voting.
- 10.3 If a conflict exists, it is expected that any director to whom the conflict relates will leave the room when the Board is discussing any matter to which the conflict relates.
- 10.4 Directors are expected to inform the chairperson of the Board of any proposed appointment to the Board or executive of another company as soon as practicable.

11. ACCESS TO INFORMATION AND INDEPENDENT ADVICE BY DIRECTORS

- 11.1 Directors have unrestricted access to any information they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions.
- 11.2 Directors have access to:
- (a) management to seek explanations and information from management; and
 - (b) auditors, both internal and external, to seek explanations and information from them without management being present.

- 11.3 Directors may seek any independent professional advice they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions.
- 11.4 If the chairperson of the Board consents, the Company will pay a director's costs of seeking independent professional advice. That consent may not be unreasonably withheld or delayed.

12. MEETINGS

- 12.1 The Board and Board committees meet regularly to review strategies and operational performance and all members of the Board are generally expected to attend each meeting unless there is a valid reason for non attendance.
- 12.2 Directors receive regular updates from management on key issues between Board meetings and the chairperson of the Board and the Managing Director should communicate regularly to discuss issues relating to the business and to set Board agendas.

13. CODES OF CONDUCT

- 13.1 The Company has adopted a code of conduct setting out required standards of behaviour.
- 13.2 Each director and officer will be given a copy of the code of conduct when joining the Company.

14. COMMUNICATION OF INFORMATION

- 14.1 The Board will:
 - (a) communicate effectively with shareholders;
 - (b) give shareholders ready access to balanced and understandable information about the Company and its corporate goals; and
 - (c) make it easy for shareholders to participate in general meetings.
- 14.2 The Board has adopted a communications strategy to facilitate and promote effective communication with shareholders and encourage participation at general meetings.