

Policy on Independence of Directors

1 Introduction

- 1.1 In accordance with its obligations under its Statutory Funding Agreement with the Commonwealth of Australia, Dairy Australia Limited (DA) is committed to implementing a framework of good corporate governance practice drawing on best practice guides.
- 1.2 DA's Board Charter provides that a majority of directors (including the Chair) will be independent directors. An independent director is defined under the Board Charter as:
 - 1.2.1 a non-executive director;
 - 1.2.2 who is not a member of management; and
 - 1.2.3 who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement.
- 1.3 The Board of DA 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 DA'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 DA's role as the industry owned national services body for the dairy industry and the various aspects of the dairy supply chain.
- 1.4 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*, 3rd Edition (the ASX Recommendations).
- 1.5 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.

2 Purpose

- 2.1 The Board acknowledges that the overall purpose of independence is to ensure that the 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.
- 2.2 This policy has been developed to:
 - 2.2.1 specify how the Board will assess the independence of each director, including the matters that will be taken in account in such an assessment;
 - 2.2.2 outline directors' obligations and procedures in respect of conflicts of interest; and
 - 2.2.3 outline how and when the Board will disclose information regarding director independence to members.

3 Assessment of Independence

- 3.1 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 not allied with the interests of management, a substantial security holder or other relevant stakeholder and can and will bring an independent judgement to bear on issues before the board. A director... should only be characterised as an independent director if he or she is free of any interest, position, association or relationship that might influence, in a material respect, his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally."
- 3.2 In assessing independence, the Board will take into account those relationships set out in the ASX Recommendations that are relevant in the context of DA's business, which may affect independence, namely whether the director:
 - 3.2.1 is, or has been, employed in an executive capacity by DA and there has not been a period of at least three years between ceasing such employment and serving on the Board;
 - 3.2.2 is, or has (within the last three years) been a partner, director or senior employee of a provider of material professional services to DA;
 - 3.2.3 is, or has (within the last three years) been in a material business relationship (for example, as a supplier or a customer) with DA, or an officer of, or otherwise associated with, someone with such a relationship;
 - 3.2.4 has a material contractual relationship with DA other than as a director;
 - 3.2.5 has close family ties with any person who falls within any of the categories described above; or
 - 3.2.6 has been a director of DA for such a period that his or her independence may have been compromised.
- 3.3 The materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be perceived 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 the entity.
- 3.4 Materiality is considered from the perspective of both DA and its directors, excluding those directors who are the subject of that particular assessment.
- 3.5 The Board may adopt materiality thresholds from time to time to assist it in assessing and determining a director's independence.

4 Conflicts of Interest

- 4.1 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 3.2 of this policy.
- 4.2 The company secretary will maintain a list of any Conflicts disclosed by the directors.
- 4.3 Where a Conflict is disclosed, the director will:
 - 4.3.1 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, or the Chair determines, that he or she not receive any or all of those documents;
 - 4.3.2 withdraw from any part of a Board or Board Committee meeting for the duration of any discussion on that matter; and
 - 4.3.3 not vote on the matter.
- 4.4 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:
 - 4.4.1 being present while the matter is being considered, in which case clause 4.3.2 will not apply and the director may be present; or
 - 4.4.2 voting while the matter is being considered, in which case clause 4.3.3 will not apply and the director may vote on the matter.
- 4.5 If a majority of the directors pass a resolution in accordance with clause 4.4, the minutes will record that resolution, including the nature and extent of the Conflict, its relation and relevance to the affairs and business of DA and the reasons why the directors considered that the Conflict should not disqualify the director from being present or voting (as applicable).

5 Disclosure by directors

- 5.1 Each director must, in accordance with this policy and clause 6.3 of the Board Charter, advise DA 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 3.2 of this policy.
- 5.2 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 3.2 of this policy), that director must inform the Board at the earliest opportunity.

6 Disclosure by the Board

- 6.1 The Board will make the following disclosures in the DA Annual Report:
 - 6.1.1 the names of the directors considered by the Board to be independent directors;
 - 6.1.2 any thresholds adopted by the Board to assist in determining independence;
 - 6.1.3 if a director has an interest, position, association or relationship of the type referred to in clause 3.2 above, but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and
 - 6.1.4 the length of service of each director.