

# Toll Holdings Limited

## Board Charter

Adopted by the Board 23 May 2011  
ACN 006 592 089

### 1 Introduction

The Board of the Company seeks to ensure that it adds value by guiding, assisting and supporting management, to achieve the Company's goals. This includes creating and maintaining a Company which generates sustainable growth and profitability for the benefit of all stakeholders.

The Board is committed to abiding by all relevant laws and regulations and to providing employees with a safe and rewarding working environment. It will have consideration in its deliberations for the broader community, external and internal stakeholders and the Company's responsibilities as a corporate citizen of good standing.

The Board of the Company has adopted this Board Charter to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

This Charter includes an overview of:

- Board composition and process;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board Committees.

The Board Charter and the charters adopted by the Board for its standing Committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment market.

This Charter is to be reviewed by the Board as required and at least annually.

### 2 Board composition

#### 2.1 Board composition and size

- The Board is appointed by the shareholders. Non-executive Directors are engaged through a letter of appointment.
- The Board, together with the Nomination and Corporate Governance Committee, determines the size and composition of the Board, subject to the terms of the Company's Constitution.
- It is intended that the Board should comprise a majority of independent Non executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds.
- The Board, together with the Nomination and Corporate Governance Committee, will review the skills represented by Directors on the Board and determine whether the composition and mix of those skills remain appropriate for the Company's strategy, subject to limits imposed by the Constitution and the terms served by existing Non-executive Directors.

#### 2.2 Director independence and tenure

- The Board regularly reviews the independence of each Non-executive Director in light of information relevant to this assessment as disclosed by each Non executive Director to the Board.
- The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board takes into account numerous factors when considering independence, including the factors set out in the Investment & Financial Services Association Limited (IFSA) Blue Book (October 2004). Attachment 1 identifies the Boards guidelines in assessing independence of Directors.
- The Board does not believe that it should establish an arbitrary limit on tenure. While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing

the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its operation and, therefore, an increasing contribution to the Board as a whole. Accordingly, tenure is just one of the many factors that the Board takes into account when assessing the independence and ongoing contribution of a Director in the context of the overall Board process.

### **3 Board role and responsibilities**

#### **3.1 Board role**

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with the Company's values and governance framework (including establishing and observing ethical standards); and
- ensure shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

In performing their responsibilities, the members of the Board will 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 them by the Company's Constitution and by law.

#### **3.2 Board key responsibilities**

The responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the Managing Director;
- endorsing the Managing Director's recommendations for appointments to the positions of Chief Financial Officer, Chief Operating Officer, Divisional Directors, other Key Management Personnel and where necessary other Managing Director direct reports;
- contributing to and approving management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance; this includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- approving and monitoring financial and other reporting, including reporting to shareholders and other stakeholders and establishing procedures to ensure implementation and adherence by appropriate management levels of the Company's Continuous Disclosure Policy;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing and reviewing corporate governance principles and policies and encouraging ethical behaviour and compliance with these principles and policies;
- monitoring the Company's compliance with corporate governance standards (including the ASX Corporate Governance Council Corporate Governance Principles and Recommendations);
- undertaking an annual performance evaluation of the Board (both of individual Directors and of the Board collectively) that compares the performance of the Board with the requirements of this Charter to enable the Board to set its goals and objectives for the coming year and effect any amendments to this Charter considered necessary or desirable;
- establishing and reviewing succession plans for Board membership in consultation with the Nomination and Corporate Governance Committee and having regard to recommendations of that Committee;
- establishing a diversity policy and annual measurable objectives for achieving diversity (including gender diversity) at all levels of the Company and ensuring that this information is appropriately disclosed; and
- assessing annually the measurable objectives set by the Board in relation to diversity (including gender diversity) at all levels of the Company and progress in achieving them and ensuring that this information, including the proportion of women in the whole organisation, in senior executive positions and on the Board, is appropriately disclosed; and
- performing such other functions as are prescribed by law or are assigned to the Board;

### 3.3 Reserved authorities

Matters which are specifically reserved for the Board or its Committees include:

- appointment of a Chair;
- appointment and removal of the Managing Director;
- appointment of Directors to fill a vacancy or as additional Director;
- establishment of Board Committees, their membership and delegated authorities;
- approval of dividends;
- approval of statutory accounts, Directors Reports and Directors Statements;
- approval of trading halts;
- approval of additional or development capital expenditure (both planned and unplanned) above \$1,500,000;
- approval of all acquisitions, mergers and divestitures of material business operations and entities;
- approval of all equity and significant debt funding requirements;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

### 3.4 Directors

- Directors will act at all times with honesty and integrity and will observe standards of ethical behaviour.
- Directors will ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests.
- Directors will be expected to participate in all induction and orientation programs and any continuing education or training arranged for them.
- The Board collectively, and each Director individually, has the right to seek reasonable independent professional advice.

## 4 Delegation of duties and powers

### 4.1 Relationship with management

- Directors may delegate their powers as they consider it appropriate. However, ultimate responsibility for strategy and control rests with the Directors.
- Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.
- Directors are entitled to request additional information at any time when they consider it appropriate.

### 4.2 Role of the Managing Director

- The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board (and by other officers to whom the management function is properly delegated by the Managing Director).
- The Board approves corporate objectives for the Managing Director to satisfy and, jointly with the Managing Director, develops the duties and responsibilities of the Managing Director.
- The Managing Director is responsible for implementing strategic objectives, plans and budgets approved by the Board.

### 4.3 Delegation to Committees

- The Board from time to time establishes Committees to streamline the discharge of its responsibilities.
- Each standing Committee adopts a formal charter setting out the matters relevant to the composition, responsibilities and administration of the Committee.
- The Board may also delegate specific functions to ad hoc Committees on an 'as needs' basis.
- The powers delegated to these Committees are set out in Board resolutions.

## 5 Board process

### 5.1 Meetings

- The Board will meet regularly.
- Periodically, Non-executive Directors will meet without Executive Directors or management present.

- Directors will use all reasonable endeavours to attend Board meetings in person.
- The Company's constitution governs the regulation of Board meetings and proceedings.

## 5.2 The Chair

- The Board will appoint one of its members to be Chair.
- It is intended that the Chair should be an independent Non executive Director.
- The Chair represents the Board to the shareholders and communicates the Board's position.

## 5.3 The Company Secretary

- The Board will appoint at least one Company Secretary.
- The Company Secretary is accountable to the Board.
- The Company Secretary is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings.
- All Directors will have direct access to the Company Secretary.

## Attachment 1

### Guidelines of the Board of Directors – Independence of Directors

Part 2 of the Company's Board Charter refers to the 'independence' of directors.

Without limiting the Board's discretion, the Board has adopted the following guidelines to assist in considering the independence of directors.

In general, directors will be considered to be 'independent' if they are not members of management (a non executive director) and they are free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The Board takes into account numerous factors when considering independence, including the following:

- are not material shareholders of the Company, or officers of, or otherwise associated directly or indirectly with, material shareholders of the Company;
- have not within the last 3 years been employed in an executive capacity by the Company or another group member;
- except in connection with reorganisations within the Group, have not within the last 3 years been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- are not a material supplier to or customer of the Company or other group member or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- have no material contractual relationship with the Company or another group member, other than as a director of the Company.

### Materiality thresholds

The Board will consider thresholds of materiality for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles. Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- The Board will determine the appropriate base to apply (eg revenue, equity or expenses), in the context of each situation.
- In general, the Board will consider a holding of 5% or more of the Company's shares to be material.
- In general, the Board will consider an affiliation with a business which accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular director should be reviewed by the Board.
- Overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the director's ability to act in the best interests of the Company.