



Rabobank Australia Limited

ABN 50 001 621 129

Board Charter

Updated as at 28 July 2011

1. Role of the Board

This Board Charter sets out the principles for the operation of the Board of Directors (“*the Board*”) of Rabobank Australia Limited (“*the Company*”) and to describe the responsibilities, functions and expectations of the Board. This Board Charter applies to the Company.

The Board derives its authority to act from the Company’s Constitution and the *Corporations Act 2001* (as amended).

The Board is accountable to its sole shareholder for the performance of the Company and is ultimately responsible for the sound and prudent management and corporate governance of the Company as a regulated institution. The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to the Company and must act in the best interests of its shareholder and other stakeholders.

This Board Charter and any charter adopted by the Board for committees established by it from time to time have been prepared and adopted on the basis that corporate governance and good governance procedures can add to the performance of the Company, create shareholder value and enhance its reputation in the markets and communities in which it operates.

2. Directors’ Duties and Responsibilities of the Board

2.1 Principal Duties of Directors

The principal duties of directors set out in Part 2D.1 of the *Corporations Act 2001* (as amended) are:

- (a) To exercise due care and diligence in the exercise of their powers and the discharge of their duties that a reasonable person holding the same position and with the same powers and responsibilities would exercise in the circumstances of the corporation.
- (b) Subject to (c) below, to exercise their powers and responsibilities in good faith in the best interests of the corporation and for a proper purpose.
- (c) However, a director of a corporation that is a wholly owned subsidiary of a body corporate is taken to act in good faith in the best interests of the subsidiary if:
 - the constitution of that subsidiary expressly authorises the director to act in the best interests of the parent company; and



- the director acts in good faith in the best interests of the parent company; and
 - the subsidiary is not insolvent at the time the director acts and does not become insolvent because of the director's act.
- (d) Not to use their position improperly to gain an advantage for themselves or someone else (either directly or indirectly) or to cause detriment to the corporation.
- (e) Not to improperly use information obtained by them as a director in order to gain an advantage for themselves or someone else (either directly or indirectly) or to cause detriment to the corporation.
- (f) Not to act recklessly or be intentionally dishonest.
- (g) To disclose all personal interests of a material nature.
- (h) Not to allow the corporation to trade whilst insolvent.

In relation to (c) above, the Company's constitution has such a provision, namely clause 19.11.

2.2 Responsibilities of the Board

The Board is responsible for the sound and prudent management of the affairs and corporate governance of the Company, and to the extent of the authority delegated to them, for the affairs of other members of the Rabobank Australia and New Zealand Group ("*the Group*"), including:

- (a) Strategy and financial performance
- Being actively and regularly involved in strategic planning. This involves the identification of opportunities and business risks that will determine which of those opportunities are most worth pursuing.
 - Providing strategic direction for the Group and approving the corporate strategy. This includes developing an in-depth understanding of each substantial segment of the Group's business in Australia and New Zealand.
 - On an ongoing basis, reviewing how the strategic environment is changing, what key business risk and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.
 - Evaluating, approving and monitoring performance against the strategic and financial plans and objectives of the Group. This includes reviewing the assumptions and rationale underlying those plans and objectives.
 - Evaluating, approving and monitoring performance against the Group's annual budgets and business plans. This also includes reviewing the assumptions and rationale underlying those budgets and business plans.
 - Making recommendations to the shareholder concerning the Group's capital structure.



- Evaluating, approving and monitoring major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions.
 - With the guidance of the Board Risk, Audit and Compliance Committee (“**BRACC**”), reviewing and monitoring the processes, controls and procedures which are in place to maintain the integrity of the Group’s statutory reporting (including Directors’ Declaration) and its accounting and financial records and statements.
 - Approving all accounting policies, financial reports and material reporting and external communications by the Company.
- (b) Executive management
- Approving key senior management appointments within the Group.
 - Reviewing, monitoring and managing the Group’s key senior management succession planning.
 - Reviewing and monitoring the performance of the Chief Executive Officer and senior management.
 - Reviewing and approving the performance and remuneration of the individual Directors and policies with respect to remuneration of any employees of the Group.
 - Monitoring and influencing the culture, reputation and ethical standards of the Group.
- (c) Audit and risk management
- With the recommendation of the BRACC and noting the role of the Management Team Rural & Retail Banking RI (“**MT R&R RI**”), appointing the Group’s external auditor and determining its remuneration and terms of engagement on an annual basis.
 - Ensuring that effective audit, risk management and regulatory compliance programmes are in place to protect the Group’s assets and shareholder value.
 - With the assistance of the BRACC, ensuring the ongoing appropriateness of the Group’s risk management, internal control systems and management reporting framework (collectively “***the Control Environment***”)
 - Approving and, with the assistance and advice of the BRACC, monitoring compliance with the risk and audit policies and protocols of the Control Environment including, but not limited to, policies and protocols required by relevant prudential standards.
 - With the assistance of the BRACC, ensuring that systems are in place to ensure that the affairs of the Group are being conducted by management in conformity with policy, legal and regulatory requirements and that the reputation of the Group is protected at all times from adverse risk management events.



- Reviewing and monitoring processes for the maintenance of appropriate credit quality.
 - Reviewing, monitoring and updating the Group's risk profile so that it is appropriate.
 - Ensuring that the external auditor has the opportunity to raise issues directly with the Board.
- (d) Corporate governance
- Reviewing the performance and effectiveness of the Group's corporate governance policies and procedures and amending those policies and procedures, if and as appropriate.
 - Approving the appointment of Directors to committees established by the Board from time to time.
 - Approving and monitoring delegations of authority.
- (e) Performance evaluation
- Reviewing this Charter and its continuing adequacy from time to time.
 - At least once per year, reviewing and assessing the performance of the Board, each Board committee, and each individual Director against the relevant charters, corporate governance policies and agreed goals and objectives as set out in the Board Performance Assessment Framework.
 - Considering how to improve the Board's performance following each Board Performance review and assessment.
 - Agreeing and setting the goals and objectives for the Board and its committees each year, and if necessary, amending the relevant charters and policies.
 - Monitoring and reviewing processes to assist Directors in having sufficient time to devote to Board matters to ensure that they discharge their duties effectively.

3. Composition of the Board and Senior Management

3.1 Overview

In consultation with the shareholder, the Board determines the size and composition of the Board subject to the terms of the Constitution of the Company and the requirements of the Australian Prudential Regulation Authority's ("APRA") Prudential Standard APS 510.

3.2 Skills

- (a) The Board should comprise a mix of Executive and Non-Executive Directors, and comprise Directors with a broad range of skills, expertise, and experience from a diverse range of backgrounds.



- (b) Directors and senior management of the Company should, collectively, have the full range of skills needed for the effective and prudent operation of the Company as a regulated institution, and each Director should have skills that allow them to make an effective contribution to Board deliberations and processes. This includes the requirement for Directors, collectively, to have the necessary skills, knowledge and experience to understand the risks of the Company, including its legal and prudential obligations, and to ensure that the regulated institution is managed in an appropriate way taking into account these risks.
- (c) The above requirements do not preclude the Board from supplementing its skills and knowledge through the use of external consultants and experts.

3.3 Composition and Independence

- (a) The Board will at all times have a minimum of five Directors.
- (b) The Board is to be comprised of a majority of Non-Executive Directors.
- (c) The Company will have, at a minimum, two Independent Directors (not being senior management or Directors of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA (*Rabobank*)), in addition to an Independent Chairman, if the Board has up to seven members at any time. If the Board has more than seven members at any time, the Company will have at least three Independent Directors, in addition to an Independent Chairman.

As more fully described in Annexure 1, the fundamental premise underpinning the requirements of independence is that an Independent Director must be independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his/her unfettered and independent judgement.

For the purposes of meeting the requirements in this paragraph, the Independent Directors on the Board of the parent company or its other subsidiaries can also sit as Independent Directors on the Board of the Company.

- (d) Directors must declare immediately to the Board any loss of independence. The independence of the Directors should be regularly assessed by the Board in light of the interests disclosed by them.
- (e) Directors must keep the Board advised of any interests that could potentially conflict with those of the Group.
- (f) Directors are expected to bring their independent views and judgement to the Board and must declare to the meeting any potential or actual conflicts of interest.
- (g) The Board will be subject to the Board Renewal Policy in order to ensure that it remains open to new ideas and independent thinking, while retaining adequate expertise.
- (h) The Company will have at least two Directors who are ordinarily resident in Australia, at least one of whom must also be an Independent Director.
- (i) Board representation will be consistent with the Company's shareholding subject to the provisions of the *Financial Sector (Shareholdings) Act 1998*.



- (j) No partner of an audit firm or Director of an audit company who was involved with an audit of the Group, or other employee who acted as lead auditor or review auditor of an audit of the Group, may be appointed as a director or senior manager of the Company or a Group entity until at least two years have passed since their involvement in such audit. No partner, Director or employee of an audit firm or company involved in an audit of the Company or a Group entity may be appointed a Director or senior manager of the Company or a Group entity where another partner or Director of such audit firm or company is already a Director or senior manager of the Company or a Group entity and was involved with the audit of the Company or the Group in their professional capacity at any time during the last two years.
- (k) Members of the Board and senior management will be available to meet with regulators on request. Such regulators include de Nederlandsche Bank NV, APRA and the Reserve Bank of New Zealand (“the Regulators”).

3.4 Directors' Responsibilities

The Directors of the Company must:

- (a) conduct their duties at the highest level of honesty and integrity;
- (b) observe both the rule and spirit of the law, and comply with any relevant ethical and technical standards;
- (c) maintain the confidentiality of all information acquired in the course of conducting their role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board or is required by law;
- (d) observe the principles of independence, accuracy and integrity in dealings with the Board, its committees, internal and external auditors and senior management within the Company;
- (e) disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature, of which the Director becomes aware and which the Director reasonably believes may compromise the reputation or performance of the Company; and
- (f) set a standard of honesty, fairness, integrity, diligence and competency in respect of the position of Director.

4. Role of the Chairman

4.1 Objective

The Company recognises that it is important that the Chairman has a defined role in the organisation and operates in accordance with clear functional lines.

4.2 Role of the Chairman

- (a) The Chairman shall be an Independent Director of the Company.



- (b) The Chairman of the Company must have relevant experience, skill, judgement and leadership abilities to contribute to the effective direction of the Company and the Group.
- (c) The Chairman cannot have been the Chief Executive Officer (**CEO**) of the Company or other Group entity at any time during the previous three years. If the position of CEO is unexpectedly vacated, the Chairman may, with the approval of the shareholder, serve as an interim CEO for a period of no more than 90 days unless approval has been obtained from APRA to allow this arrangement to continue.
- (d) The Chairman must be available to meet with any of the Regulators on request.

4.3 Specific Duties of the Chairman

The Chairman will:

- (a) chair Board meetings;
- (b) establish the agenda for Board meetings, in consultation with the CEO and the Company Secretary;
- (c) represent the views of the Board to the shareholder, the general public, governmental authorities, regulators and other stakeholders; and
- (d) develop and maintain key strategic relationships.

5. Confidential Information and External Communication

The Board has established the following principles to apply in respect of information of the Company and the Group:

- (a) generally, the Chairman will speak for the Company and the Group. Individual Board members are expected not to communicate on behalf of the Board, the Company or the Group without prior consultation with the Chairman; and
- (b) all Directors are required to keep all information provided to them in their capacity as a Director confidential.

6. Conflicts of Interest

- (a) The Directors of the Company are required to act in a manner which is consistent with the best interests of the Company and the Group as a whole, free of any actual or possible conflicts of interest. Directors are expected to avoid any action, position or interest that conflicts with an interest of the Company or the Group, or gives the appearance of a conflict.
- (b) If a Director considers that he or she might be in a position where there is a reasonable possibility of conflict between his or her personal or business interests, the interests of any associated person, or his or her duties to any other company, on the one hand, and the interests of the Company or the Group or his or her duties to the Company or the Group, on the other hand, the Board requires that the Director:



- fully and frankly informs the Board about the circumstances giving rise to the conflict; and
 - abstains from voting on any motion relating to the matter and absents himself or herself from all Board deliberations relating to the matter, including, where possible, receipt of Board papers bearing on the matter.
- (c) If a Director believes that he or she may have a conflict of interest or duty in relation to a particular matter, the Director should immediately consult with the Chairman (or in the case of the Chairman, should immediately consult with the other Non-Executive Directors).
- (d) If a significant conflict of interest with a Director exists and cannot be resolved, the Director is expected to tender his or her resignation after consultation with the Chairman.
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7. Related Party Transactions

- (a) With the guidance of the BRACC, the Board is responsible for reviewing and monitoring related party transactions and investments involving the Company and its Directors or other Group entities and their directors.
- (b) Financial services may be provided to Non-Executive Directors under terms and conditions that would normally apply to the public. Executive Directors are entitled to financial services under terms and conditions that would normally apply to senior management from time to time.
- (c) The granting of any financial services to a Director is subject to any applicable legal or regulatory restrictions.
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8. Insider Trading

Directors must not trade in the shares of any entity if insider information on such entity comes to the attention of the Director by virtue of holding office as a Director of the Company or by any other means.

9. Meetings

9.1 Conduct of Meetings

- (a) The Board will meet not less than five(5) times formally per annum and as frequently as may otherwise be required to deal with urgent matters.
- (b) A meeting of the Board will usually be convened by the Chairman, although under the Company's Constitution a meeting may be called by any Director.
- (c) All Directors are expected to diligently prepare for, attend, and participate in Board meetings. At a minimum, a quorum of directors under the Company's Constitution is two (2). A majority of Directors present and eligible to vote at all Board meetings must be Non-Executive Directors.



- (d) Meetings of the Board may be held or participated in by conference call or similar means. Resolutions of the Board may be passed by circular resolution or in writing in accordance with the Company's Constitution.
- (e) The Chairman in conjunction with the CEO and the Company Secretary should ensure the availability and, if necessary, the attendance at the relevant Board meeting, of any member of the Company's executive management responsible for a matter included as an agenda item at the relevant meeting.

9.2 Agenda

- (a) An agenda will be prepared for each meeting of the Board. The agenda will be prepared by the Company Secretary in consultation with the Chief Executive Officer and the Chairman.
- (b) The following items will be standing items on the agenda unless otherwise determined by the Chairman:
 - approval of minutes of previous meeting;
 - management report by the CEO ; and
 - report of the BRACC.

10. Board Committees

- (a) In order to fulfil its duties, the Board has established the BRACC which acts as an interface between the Group's management, the Internal and External Auditors and the Board. The BRACC monitors and provides an objective non-executive review, and advises the Board as to the effectiveness of the financial reporting, risk management, control and general reporting framework of the Group.
- (b) The Board shall establish a Board Remuneration Committee to monitor and advise the Board, where necessary, in relation to remuneration and remuneration structures for certain RAG employees in compliance with APRA Prudential Standard APS 510.
- (c) From time to time, the Board may also establish special purpose committees to examine, or have delegated authority to deal with, specific issues on behalf of the Board.
- (d) Although the Board may delegate powers and responsibilities to these committees, the Board retains ultimate accountability for discharging its duties.
- (e) The composition of the membership, including the Chairman, of each of these committees will be as determined by the Board from time to time, subject to:
 - any applicable APRA Prudential Standard requirements; and
 - the charter of a particular committee insofar as it contains specific requirements as to its composition.



- (f) The Board will consider and approve appropriate charters for the various committees. These charters will identify the areas in which the Board will be assisted by each committee.

Clause 10 above was amended on 1 March 2010.

11. The Board's Relationship with Management

The Board, in fulfilling its functions, but without abrogating its responsibility, may delegate authority to management to act on behalf of the Board with respect to certain matters, as decided by the Board. In addition to formal reporting structures, members of the Board are encouraged to have direct communications with management and other employees of the Company to facilitate the carrying out of their duties as Directors.

12. Independent Advice

- (a) A Director of the Company is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out below:

- a Director must seek the prior approval of the Chairman;
- in seeking the prior approval of the Chairman, the Director must provide the Chairman with details of:
 - the nature of the independent professional advice;
 - the likely cost of seeking the independent professional advice; and
 - details of the independent adviser he or she proposes to instruct;
- the Chairman may set a reasonable limit on the amount that the Company will contribute towards the cost of obtaining such advice;
- all documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to the Company or the Group and the Director in his or her personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to the Director's contract of employment with the Company or appropriate Group entity (in the case of an Executive Director) or any dispute between the Director and the Company or the Group; and
- the Chairman may determine that any advice received by an individual Director will be circulated to the remainder of the Board.

- (b) All Directors have unrestricted access to Company or Group records and information except where the Board determines that such access would be adverse to the interests of the Company or the Group. Such right of access to Company or Group records and information continues after a person ceases to be a Director of the Company

provided such right of access is being sought in relation to a period when that person was a Director of the Company.

13. Board Performance

- (a) The Board's performance relative to its objectives, shall be assessed at least annually. Further, the performance of individual Directors shall be assessed at least annually.
- (b) The Board Performance Framework will be survey and report based and will be jointly managed by the General Manager Human Resources and the Company Secretary. Each third year, an appropriately qualified external consultant will be engaged to manage the survey and report process. A survey will be sent annually to each Director for completion and return. It will consist of survey questions which have been agreed with the Chairman.
- (c) A written feedback report will be prepared in relation to the Board as a whole and in relation to each Director's performance. This information will be delivered to the Chairman and discussed by him/her with the Chairman of the MT R&R RI. The Chairman will discuss the performance of each Director with him/her individually. In addition, the Chairman will discuss the overall Board performance with the Board as a whole.
- (d) A written feedback report will be prepared in relation to the Chairman's performance and sent to the Chairman with a copy also being sent to the Chairman of the MT R&R RI. The Chairman and/or the Chairman of the MT R&R RI will provide feedback as to the Chairman's performance to the remaining Directors.

Clause 13 above was amended on 20 February 2009 and 1 March 2010.

14. Board Renewal Policy

- (a) It is the Company's policy (as hereby stated) that the Chairman and Directors are not appointed for a specific term. Their appointments will be reviewed at regular intervals and a Director shall resign if requested to do so by or on behalf of the shareholder.
- (b) The Chairman will consult with the Chairman of the MT R&R RI (or his nominee) annually to discuss the Chairman's own performance as well as the overall performance, balance and composition of the Board with a view to ensuring the Board's effectiveness.
- (c) The Chairman will ascertain the views of the shareholder in relation to the Board's performance, balance and composition. He will ensure that the Board as a whole, and its individual Directors, are amenable to new ideas and independent thinking. The Chairman will also ensure that appropriate skills and expertise are retained on the Board by the Directors to ensure the efficient and prudent operation of RAG. The Chairman will make recommendations to the Chairman of the MT R&R RI as and when appropriate.



Annexure 1

Definition of "independence"

An "Independent" Director is a Non-Executive Director who:

- (a) is not a substantial shareholder (as defined in the *Corporations Act*) of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (b) within the last three years has not been employed in an executive capacity by the Company or a Group entity, or been a director after ceasing to hold any such employment;
- (c) within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or a Group entity, or an employee materially associated with the service provided;
- (d) is not a material supplier or customer of the Company or the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (e) has no material contractual relationship with the Company or any Group entity other than as a Director of the Company;
- (f) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company and the Group; and
- (g) is free from any interest and any 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 and the Group.

Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by Directors to the Board.