

# **Board of Directors - Charter and Guidelines for Operation**

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# Board of Directors Charter

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# Charter for Board of Directors

The Australian Stem Cell Centre Constitution governs the regulation of meetings and the proceedings of the Board of Directors. This Charter has been developed to:

- summarise and augment the relevant elements of the Constitution;
- provide a clear statement of the roles, responsibilities, processes and operations of the Board for the benefit of both the Board and management<sup>1</sup>; and
- ensure the practices of the Board are consistent with and reflect the Board's commitment to best practice in corporate governance.

## 1. Responsibilities of the Board

### 1.1 General

1.1.1 The powers and duties of Directors are set out in the Constitution and at law.

1.1.2 The Directors must act in the best interests of the Australian Stem Cell Centre and are to use their best efforts to ensure the Australian Stem Cell Centre is properly managed and constantly improved.

The principle role of the Board is to:

- oversee, approve and monitor strategy;
- oversee the implementation of the Business Plan including the Annual Budget;
- appoint the Chief Executive Officer (CEO) and evaluate his or her performance;
- provide guardianship of corporate values;
- monitor the integrity of financial reporting;
- oversee risk management and legal compliance; and
- oversee stakeholder communications.

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<sup>1</sup> ASX Corporate Governance Council, *Principles of Good Corporate Governance and Best Practice Recommendations*, Recommendation 1.1

## 1.2 Specific

To discharge its responsibilities and to facilitate its ongoing oversight of the Australian Stem Cell Centre, the Board has agreed its role includes, but is not limited to the following matters.

The Board may choose to delegate some of these responsibilities to one or more of its Committees. This will be specifically reflected in the Charter of the relevant Committee.

### 1.2.1 Strategic

- **Strategic planning:** Approving the strategic planning process and timetable, contributing to the Australian Stem Cell Centre's strategy and objectives, approving the Australian Stem Cell Centre's strategy, associated performance indicators and targets and approving any subsequent material variations.
- **Business planning:** Approving the business planning process and timetable, adopting the business plan including operating budgets, capital budgets, performance indicators and approving any subsequent variations.
- **Future Funding:** Contributing to and approving a strategy for funding of the Australian Stem Cell Centre, including funding targets, timelines and avenues and appropriately involving itself in liaison and communication with potential sources of funding.
- **Change management:** Overseeing the Australian Stem Cell Centre's capacity to identify and respond to changes in its economic and operating environments.
- **Major projects:** Approving and monitoring major projects including corporate restructures/re-organisations, major capital expenditure, capital management, acquisitions and divestitures and any significant initiatives or opportunities that arise outside the annual planning and budgeting process.
- **Stakeholder liaison:** Appropriately involving itself in liaison and communication with key stakeholders.
- **Performance monitoring:** Overseeing the conduct and performance of the company and subsidiaries to ensure they are being properly and appropriately managed. To discharge this duty the Board will give specific and regular attention to:
  - monitoring performance against the strategic and business plans;
  - monitoring performance against peer and competitor companies; and

- enquiring into and following up areas of poor performance and their cause.

### 1.2.2 Governance and Board Matters

- **Delegations of authority:** Reviewing, approving and, where appropriate, revising the delegations of authority from the Board to the CEO and significant delegations from the CEO to executives. The Board notes that these delegations must be clearly defined and be sufficient to empower the CEO and the executive team to run Australian Stem Cell Centre.
- **Committees:** Overseeing the work of the Board Committees including determining the need for specific Committees, reviewing the need for those Committees on an ongoing basis, receiving reports from, reviewing the work of, and considering the recommendations made by each Committee.
- **Self assessment:** Developing and implementing a formal process for the Board to assess its performance. This policy will include an external assessment every three years.
- **Referred matters:** Attending to matters appropriately referred to it by the Chair, management, the CEO or Committees of the Board.
- **Governance matters:** Attending to corporate governance matters including the identification and nomination to the members of new Directors to fill Board vacancies and to any other matters identified as reserved to the Board.
- **Information needs:** Dictating its information needs to management including the form, timing, content and style of Board papers and ensuring these are fully addressed on an ongoing basis.
- **Succession planning:** Ensuring that appropriate plans are in place for the succession of the CEO and Board members.

### 1.2.3 Risk Management, Compliance and Internal Controls

- **Risk management:** Defining the Australian Stem Cell Centre's risk appetite, approving and overseeing the operation of the Australian Stem Cell Centre's corporate risk management framework, assessing its effectiveness, understanding and reviewing the major/significant risks facing the Australian Stem Cell Centre and monitoring their management.
- **Internal controls:** Overseeing, reviewing and monitoring the operation, adequacy and effectiveness of the Australian Stem Cell Centre's reporting systems and the overall framework of internal controls established by the CEO including operational, accounting and financial reporting controls.
- **Operational compliance:** Approving, reviewing and monitoring compliance with key corporate policies.
- **Legal compliance:** Overseeing, reviewing and monitoring the operation of the Australian Stem Cell Centre's programs, policies and procedures to ensure compliance with relevant legislation is actively promoted within the Australian Stem Cell Centre. Specific attention is to be given to privacy and occupational health and safety programs.
- **Reputation:** Being aware of and, where appropriate, reviewing any litigation, actions, transactions and issues, papers and reports to external/third parties which impact on the Australian Stem Cell Centre and may attract adverse public, government, regulatory or other interest.
- **Encourage the reporting of unlawful or unethical behaviour:** Maintaining a firm stance in relation to encouraging the reporting of unlawful or unethical behaviour and ensuring that employees and management are assured of protection where violations are reported in good faith.

### 1.2.4 Financial

- **Financial oversight:** Overseeing all aspects of the Australian Stem Cell Centre's financial position including giving specific attention to the quantum, nature and terms of Australian Stem Cell Centre's debt facilitates and its ability to meet its debts and other obligations as they fall due.
- **Financial reporting:** Approving the annual audited financial statements, the half year financial statements, and the theme and text of the Australian Stem Cell Centre's annual report.

- **Audit:** Selecting Australian Stem Cell Centre's external auditors for approval by the members, ratifying the appointment of the internal auditor and approving their respective scopes of work.
- **Related party transactions:** Reviewing and monitoring all related party transactions to identify whether consideration should be given to seeking stakeholder approval.

### 1.2.5 Personnel

- **CEO:** The appointment, regular performance assessment, remuneration, succession planning and, should it be necessary, the dismissal of the CEO.
- **Executive appointment:** Ratifying the appointment of any member of Executive Management (currently Chief Financial Officer, Chief Operating Officer, Chief Scientific Officer and Public Affairs Director).
- **Executive performance and development:** Ensuring an appropriate process is in place to recruit, review the performance of, remunerate, train and develop executives and to provide for management succession.
- **Executive compensation:** Reviewing and approving the compensation, equity and incentive schemes in place for the CEO and executives to ensure they are appropriate and competitive in both structure and quantum.
- **Standards of behaviour:** Reviewing, approving and monitoring compliance with the Australian Stem Cell Centre Code of Conduct, which provides guidance regarding ethical behaviour, including approving all proposed revisions or waivers.

## **2. Relationship Between the Board and Management**

Subject to the formal delegations of authority, the Board delegates responsibility for the operation and management of the Australian Stem Cell Centre business to the CEO and the management team. Management are accountable to the Board and are to fulfill this responsibility through the provision of reports, briefings and presentations on a regular basis throughout the year.

The Chief Financial Officer, Chief Operating Officer, Chief Scientific Officer and Public Affairs Director shall attend Board meetings by standing invitation.

The Board will adopt appropriate structures and procedures to ensure it retains its independence and functions independently of management. This will include the Non-Executive Directors meeting in the absence of management on a periodic, scheduled basis.

Non-Executive Directors may communicate with members of the senior management team at any time. However, unless the matter relates to operation of Board Committees or duties of the Company Secretary, in the ordinary course of business communications between the Non-Executive Directors and the senior management should be through the office of the CEO and the Chair.

### **3. The Chairperson**

#### **3.1 Appointment**

The Board is empowered by the Constitution to appoint a Chairperson and to determine the period for which he or she holds office.

The Chairperson will be one of the Board's independent Directors.<sup>2</sup>

In the absence of the Chairperson, the Directors present must elect a Director present to chair the meeting.

#### **3.2 The Role of the Chairperson<sup>3</sup>**

The role of the Chairperson is to ensure that the Board is functioning effectively.

The Chairperson will:

- Chair Board meetings;
- Establish the agenda for, and frequency of, Board meetings (together with the CEO where appropriate);
- Chair meetings of members, including the Annual General Meeting;
- Ensure the Board's decisions have been implemented;
- Be the link between the Board and the CEO/senior management;
- Review matters of concern to the Australian Stem Cell Centre together with the CEO;
- Develop a Performance Agreement with the CEO and review his or her performance against this Agreement
- Provide guidance and mentoring to the CEO; and
- Provide a proposal to the Remuneration Committee on remuneration of the CEO.

There must be clear division of roles between the Chairperson and the CEO.

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<sup>2</sup> ASX Recommendation 2.2 and 2.3

<sup>3</sup> ASX Recommendation 2.2

## 4. Composition

### 4.1 Size & Composition

The Board shall be made up of a minimum of three Directors and a maximum of twelve Directors. The majority of members should be independent Directors.<sup>4</sup>

### 4.2 Nomination

The Board has defined, and will keep under ongoing review, its skill requirements. The Board will seek to augment its skills as required.

Potential Directors will be nominated for appointment to the Board on the basis of their identified skills, knowledge and experience to meet the needs of the Board at the time their appointment is proposed. This information will be communicated to members to assist them in their decision whether to confirm the appointment of the nominee.

### 4.3 Independence<sup>5</sup>

A Director will be considered independent if they have no material relationship to the Australian Stem Cell Centre that may interfere with the exercise of their independence from management and the Australian Stem Cell Centre.

Examples of such relationships include:

- Being employed by the Australian Stem Cell Centre within the last three years or being a Director after ceasing to hold any such employment;
- Being, within the last three years, a principal of a material professional adviser or a material consultant to the Australian Stem Cell Centre or an employee materially associated with the service provided;
- Being a material supplier or customer of the Australian Stem Cell Centre, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Serving 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 Australian Stem Cell Centre; and
- Having any interests, 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 Australian Stem Cell Centre.

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<sup>4</sup> ASX, Recommendation 2.1

<sup>5</sup> ASX Recommendation 2.1

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.

The Board will consider and conclude on the independence of its Non-Executive Directors each year. The results of this review (i.e. the independence of individual Directors) will be disclosed in the Australian Stem Cell Centre annual report.

#### **4.4 Induction**

All new Directors appointed to the Board undertake a formal induction program co-ordinated by the Company Secretary.

## **5. Performance**

### **5.1 Remuneration**

The Board will consider for adoption a remuneration policy established by the Remuneration Committee designed to enhance corporate and individual performance. The level of remuneration will be designed to attract and maintain talented and motivated Directors and employees.

The maximum amount of annual fees to be paid to non – executive Directors will be established by the Company constitution and any changes will be required to be approved by ordinary resolution of the members.

### **5.2 Continuing Professional Education**

Directors are expected to undertake any necessary continuing professional education to enable them to discharge their duties. Management will brief the Board on changes in the legislative, regulatory or industry framework which impact the Australian Stem Cell Centre but this is not a substitute for the Directors' own efforts.

### **5.3 Performance Assessment<sup>6</sup>**

The Board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of the Australian Stem Cell Centre. The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis against both measurable and qualitative indicators. Every three years a review of Board performance will be facilitated by an external service provider.

### **5.4 Stakeholder Liaison**

The Australian Stem Cell Centre encourages effective communication with stakeholders and has strategies in place to effect this. The Australian Stem Cell Centre stakeholders include members, employees, Government funding bodies and the community.

The full Board is required to attend the Australian Stem Cell Centre Annual General Meeting.

### **5.5 Other**

Each Director is:

- Bound by the Australian Stem Cell Centre Code of Conduct for Conflicts of Interest and its policies and procedures; and

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<sup>6</sup> ASX Recommendation 8.1

- Required to comply with terms and conditions of any arrangements specifically involving them, for example Director's indemnity insurance.

## 6. Board Committees

The Board may from time to time establish appropriate Committees to assist it in the discharge of its responsibilities. However, the Board will not delegate any of its decision making authority to those Committees.

The Board has established the following Committees:

- Audit Committee<sup>7 8</sup>;
- Ethics Subcommittee;
- Remuneration Subcommittee<sup>9</sup>; and
- Future Funding Committee.

Each formally constituted Committee will have a written Charter, approved by the Board. Formal minutes of each Committee meeting will be prepared and circulated to each of the Directors within the time frame set out in the relevant Committee's Charter, together with a clear list of recommendations and/or other matters and issues for the consideration of the full Board at the next Directors' meeting. Where a Committee meeting is necessarily held a short time in advance of a Board meeting, for example where the Audit Committee completes its review of the financial statements only shortly in advance of the Board meeting to approve those accounts, the Board will accept a verbal report from the Chairperson of the Committee. However, this must be followed by formal written minutes within the prescribed timeframe.

Membership of Board Committees will be based on the needs of the Australian Stem Cell Centre, relevant legislative and other requirements and the skills and experience of the individual Directors.

Membership of the Audit Committee and Remuneration Committee will be restricted to the Non-Executive Directors. The specific requirements of each Committee are set out in its Charter.

The Board has sole responsibility for the appointment of Directors to Committees and expects that, over time, the Directors will rotate on and off various Committees taking into account the needs of the Committees and the experience of the individual Directors.

The role, function, performance and membership of each Committee will be reviewed on an annual basis as part of the Board's self-assessment process.

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<sup>7</sup> ASX Recommendation 4.2

<sup>8</sup> ASX Recommendation 7.1

<sup>9</sup> ASX Recommendation 9.2

## **7. Meetings**

Board meetings are held on a regular basis, as determined annually in advance by the Board. The agenda for each meeting is dictated by the needs of the Australian Stem Cell Centre and the matters set out in the annual agenda for attention at a particular meeting.

An additional Board meeting can be convened by a Director, or the Company Secretary at the request of any Director at any time by giving all Directors seven days notice in writing. A meeting may, with the consent of all Directors, be convened with less notice.

The Board and Board Committees may hold meetings at two or more venues using any technology (for example: teleconferencing) that gives all members of the Board or the relevant Board Committee a reasonable opportunity to participate in the meeting. However, the personal attendance of Board members at meetings is preferred.

### **7.1 Declaration of Interests**

Directors are required to take all reasonable steps to avoid an actual, potential or perceived conflict of interests with the Australian Stem Cell Centre's interest.

Directors must comply with the requirements of the Corporations Act and the Code of Conduct – Conflicts of Interest with respect to the disclosure of actual, potential or perceived conflicts of interest.

### **7.2 Quorum**

A meeting of the Board will have a quorum if :

- 1) where the Board comprises three Directors, the quorum is two Directors
- 2) where the Board comprises more the three Directors:
  - a. if the total number of Directors comprising the Board is an even number, the quorum is half such total number; and
  - b. if the total number of Directors comprising the Board is an odd number, the quorum is the lower of the whole numbers nearest to half such a total.

A quorum must be present at all times during the meeting.

## **8. Advice to Directors**

External advice may be sought by a Director under the terms of the Director's Indemnity, Insurance and Access Deed.

## **9. Publication of the Board Charter and Committee Charters**

The Charter will be available to each Director, internal and external auditors and stakeholders.

A copy of this Charter is available on the Australian Stem Cell Centre website.

## **10. Review of the Board Charter**

The Board will review this Charter and the Charters of its Committees annually and make any necessary or desirable amendments to ensure they remain consistent with the Board's objectives, current law and best practice.

## **11. Administrative Guidelines**

This Charter is supported by administrative guidelines for the operation of the Board.

## **12. Inconsistency with Constitution**

To the extent that there is any inconsistency between this Charter or the Administrative Guidelines and the Constitution, the Constitution will prevail.

