

Governance Charter

**Royal Australian
Chemical Institute**

ABN: 69 030 287 244

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1. Preamble

This document explains the RACI's commitment to corporate governance and should be read as an expression of principle.

It sets out the responsibilities of the Board and the key protocols for the operation of the Board conforming to good governance practices.

The Board is responsible for ensuring that the RACI has an appropriate corporate governance structure with appropriate accountability and control systems in place.

2. Constitution

The RACI Inc.'s Constitution is its key governance document supported on the operations level by the By-Laws. The Board must ensure that it and The RACI comply at all times with the provisions of the Constitution and By-laws.

The Charter supports the Constitution and By-laws of the RACI with the Constitution taking precedence in the event of inconsistency.

3. Compliance with laws

As an incorporated organisation in Victoria, the RACI must comply with the Associations Incorporation Reform Act 2012 (Victoria) (as amended) as well as all other applicable laws and statutes. Examples of applicable areas of regulation include:

- a) occupational health and safety legislation;
- b) employment related laws;
- c) environmental protection legislation;
- d) anti-discrimination legislation;
- e) Privacy Act;
- f) Trade Practices Act 1974;
- g) Taxation laws.

4. Board composition and independence

The Board shall comprise the number of Board members as specified in the Constitution; the objective is to have a Board comprising of members with a range of expertise and a balance of skills and experience. All Board members should be free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with the Board member's ability to act in the best interests of the RACI.

A Board member of the RACI will be considered to be independent if he or she:

- a) has not, within the last three years, been a principal or a material professional adviser or a material consultant to the RACI, or an employee materially associated with the service provided;
- b) is not a material supplier or customer of the RACI, or an officer of or otherwise associated directly or indirectly with, a material supplier or customer;
- c) has no material contractual relationship with the RACI other than as a Board member; and
- d) is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Board member's ability to act in the best interests of the RACI.

The above guidelines must be applied with common sense. Board members are best able to determine if they have an interest or relationship which is likely to impact on their independence. As such, each Board member is expected to advise the President immediately if he/she believes they may no longer be independent. Should the President or any other Board members have any concern about the independence of a Board member, he/she must immediately raise the issue with that Board member and, if the issue is not resolved, with the Board.

Should the President have any concern about his/her own independence, he/she must immediately raise the issue with the Board.

5. Duties and responsibilities

The business of the RACI is managed by the C.E.O. under the direction of the Board of Board members. The Board is accountable to members for the performance of the RACI and is responsible to members for the overall governance of the RACI including ensuring the continuity of the business and the long-term viability of the organisation.

The Board's fiduciary duties are:

- ***Duty of care:*** Act in good faith, with the care an ordinary prudent person in a like position would exercise under similar circumstances
- ***Duty of loyalty:*** Act in good faith in a manner the Board member reasonably believes to be in the best interest of the organization
- ***Duty of obedience:*** Act within the organisation's purpose and ensure that the objectives are pursued

The Board responsibilities include:

- a) ensure that they devote sufficient time to properly perform their fiduciary duties to the RACI;
- b) Set the RACI's Values, Vision, Mission and standards for the establishment and observance of high ethical standards;
- c) setting the strategic direction of the RACI and monitoring the implementation of that strategy by the CEO and management team;
- d) regularly involving themselves in constituent activities and informing themselves of the range of constituent views relating to the scope of the RACI's operations;
- e) oversight of the RACI, including its control and accountability systems;
- f) appointing and removing the CEO;
- g) ratifying the appointment and removal of the RACI Company Secretary and external auditor;
- h) input to and final approval of the annual business plan and budget;
- i) monitoring compliance with all legal and regulatory obligations;
- j) reviewing and ratifying systems of risk management and internal compliance and controls, codes of conduct, legal compliance and other significant corporate policies;
- k) monitoring senior management's performance and implementation of strategy and policies, ensuring appropriate resources are available;
- l) approving and monitoring financial and other reporting to members, employees and other stakeholders;
- m) ensuring the RACI's assets are safeguarded;
- n) approving Board policy documents;
- o) monitoring progress against the business plan and budget; and
- p) approving expenditure outside the approved budget and delegation;
- q) Undertaking an annual board performance evaluation to determine whether it is

- functioning effectively by reference to current best practice and regulatory obligations.
- r) understanding the complexities of the environment in which the RACI operates in order to adequately assess the significant risks faced by the sector and the RACI.

6. The President

The President will chair all Board meetings and is responsible for:

- a) leadership of the Board;
- b) overseeing the Board in the effective discharge of its supervisory role;
- c) the efficient organisation and conduct of the Board's function and meetings;
- d) facilitating the effective contribution of all Board members;
- e) the promotion of constructive and respectful relations between Board members and between the Board and management; and
- f) committing the time necessary to discharge effectively his/her role as President.

7. Board Meetings

Meetings shall be formally structured and held in appropriate facilities, in line with the RACI's Constitution. All Board members are entitled to be heard at all meetings and should bring an independent judgment to bear in decision-making. The Board members shall meet in private session at least annually to assess management's effectiveness.

The purpose of these meetings is to:

- a) monitor performance against the strategic objectives;
- b) approve operational goals for management including the annual operating plan and budget;
- c) monitor performance of operational plans including financial results;
- d) confirm the effectiveness of risk management and compliance procedures and practices;
- e) approve and ensure adherence to Board policies;
- f) undertake an annual formal review of the CEO's performance and set remuneration for the following year.

8. Committees

The Board may establish Committees and/or working groups to assist the Board in fulfilling its duties and responsibilities. The Board shall ensure that each Committee has a formal charter or Terms of Reference. All recommendations of the Committees are to be referred to the Board for approval.

The current committee structure includes

- a) Chemistry in Australia Management Committee;
- b) ANCQ Management committee;
- c) Member Assessment Committee;
- d) Qualifications and Accreditation;
- e) Nominations Committee;
- f) Finance, Audit and Risk committee;
- g) Inclusion and Diversity committee;
- h) External Relations Committee;

The Board can establish ad-hoc Committees/Task Forces from time to time.

9. Deed of indemnity and access

The Constitution indemnifies each Board member to the fullest extent permitted by law.

Each Board member is entitled to a deed of indemnity, which shall include provisions relating to:

- a) access to Board papers;
- b) confidentiality;
- c) indemnity by the RACI; and
- d) the provision of Board members and Officers insurance.

10. Access to information and independent advice

The Board and Committees must be provided with the information they need to efficiently discharge their responsibilities. New Board members shall be given an “induction pack” and briefed on key operations, programs and priorities.

Management must supply the Board and Committees with information in a form, timeframe and quality that enables them to effectively discharge their duties.

Board Members are entitled to request and receive such additional information as they consider necessary to support informed decision-making. Any Board Member has the authority to seek any information he/she requires from any employee of the National Office and all employees must comply with such requests. It is expected that any significant issues are communicated to the CEO or President.

Any Board Member may take such independent legal, financial or other advice as they consider necessary at RACI cost. Any Board Member seeking independent advice must first discuss the request with the President who will facilitate obtaining such advice. The consent of the President will not be withheld unreasonably.

11. Code of conduct

The Board has adopted, and from time to time amends, the Code of Conduct.

This Board members’ Code of Conduct sets the ethical and behavioural standards expected of all Board members of the RACI.

- a) A Board member must act honestly, in good faith and in the best interests of the RACI as a whole;
- b) A Board member has a duty to use care and diligence in fulfilling their functions and exercising the powers attached to that office;
- c) A Board member must use the powers of office for a proper purpose, in the best interests of the RACI as a whole;
- d) A Board member must recognise that the primary responsibility is to the RACI as a whole, but should, where appropriate, have regard for the interests of all stakeholders of the RACI;
- e) A Board member must not make improper use of information acquired as a Board member of the RACI;
- f) A Board member must not take improper advantage of the position of Board member;
- g) A Board member should properly manage any conflict with the interests of the RACI;
- h) A Board member has an obligation to be independent in judgement and actions, and must take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board;
- i) Confidential information received by a Board member in the course of the exercise of Board member duties remains the property of the RACI and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Board, or is

- required by law;
- j) A Board member should not engage in conduct likely to discredit the RACI or be detrimental to the interests of the RACI;
- k) A Board member has an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.

The Code is not intended to be exhaustive, nor derogate any obligations imposed by law.

12. Member communications policy

The Board is committed to communicating effectively with members its member benefits and services, the organisation's financial and operational performance, and to encourage participation in Board elections and annual general meetings.

The concise annual report notice of annual general meeting and election material (if an election is to be held) is distributed to all members; it is also published on the RACI website. Hard copies of the full financial report are made available to members on request.

13. Board communications Guidance for decision making

Good communications practices that result in the board member conduct and interactions required for the effective functioning of a Board [a best practice summary below]: -

- take responsibility for contributing in a constructive, courteous and positive way to enhance good governance and the reputation of the organisation;
- act ethically, with honesty and integrity, in the best interests of the organisation at all times;
- take responsibility to contribute actively to all aspects of their individual role within the Board;
- make decisions fairly, impartially and promptly, considering all available information;
- treat colleagues with respect, courtesy, honesty and fairness, and have proper regard for their interests, rights, safety and welfare;
- not harass, bully or discriminate against colleagues, members of the public and/or employees;
- contribute to a harmonious, safe and productive board environment/culture through professional relationships.

The RACI currently uses three main communications mechanisms:

- Face-to-face meetings;
- Virtual meetings (via teleconference or video conference);
- Email;

Board decisions should be made based on appropriate, high-quality communications. Each of these mechanisms have appropriate uses toward assisting the Board in making informed decisions. A guide to the appropriate times for each communication mechanism is outlined below.

1. Face to Face meetings

Most of the RACI Board discussions will be done during face-to-face meetings. The advantages of this communication mechanism include:

- Shows body language. According to research, more than 90% of human communication consists of body language ...
- Builds relationships ...

- Values the other person ...
- Boosts effectiveness ...
- Protects confidentiality ...
- Enhances trust and credibility

The current meeting structure of the RACI includes face to face once every 4 months. This allows for most issues to be dealt with timeously in a group forum where information can be provided prior to the meeting and informed discussions progressing at the meeting with decisions made based on these.

Generally, issues to be discussed at Face-to-face board meetings include:

- Issues that are strategic in nature with long-term consequences;
- Impact on the fiduciary responsibilities of the Board;
- Require significant discussion by all board members due to the issue's complexity or potential divisiveness;

2. Virtual meetings via teleconference or video conference.

The RACI holds monthly teleconference board meetings between the 3 face-to-face meetings. These are effective to update progress of activities or to address issues that need a timely action. However, this communication mechanism is less satisfactory for complex interpersonal communication, impersonal, inclusive in that participant speaking order is difficult to determine and non-verbal communication is difficult if possible, at all. This can lead to a substandard discussion with not all views being voiced.

Teleconferences and video conferences should be used by the Board in the following situations:

- Updates on progress against work plans;
- Decisions that are time sensitive and require discussions;
- When decisions on non-complex issues are required;
- Formal ratification of previously discussed matters.

3. Email

Email should not be used as a mechanism to make decisions or discuss issues for the following reasons:

- Issues cannot be adequately debated or addressed;
- It is non-productive and can lead to mis-interpretation of meaning;
- It often results in the best practice noted above failing;
- Discussions are not officially minuted.

Emails should be used as a communication mechanism by the board in situations such as the following examples:

- Extraordinary matters of utmost urgency, initiated by the President or CEO only, where documents need to be read or accessed;
- Receiving updates on outstanding issues;
- Confirm decisions on issues that were unresolved due to missing information at previous face-to-face or virtual meetings, which leads to a simple yes/no/abstain response;
- Quick decisions on simple issues that do not require substantial debate.

If, at any time, a Board member feels that further discussion is necessary, then that member should raise the issue as an agenda item to be discussed at a face-to-face or virtual meeting using the process outlined below.

Proposed process for raising agenda items

- Any item coming to a Board member's attention that requires board input should be forwarded to the President and CEO for possible inclusion in the next meeting.

- Any item that needs to be revisited due to new information should be requested to be placed on the agenda for the next meeting via the President and CEO, supporting documentation to be provided.
- The President and CEO will produce an agenda and distribute it, together with supporting documentation at least a week prior to the next meeting.

14. Responsibilities of the Chief executive officer (CEO)

The CEO is responsible for the day-to-day management of the RACI with all powers, discretions and delegations authorised, from time to time, by the Board. The Board shall be responsible for regularly reviewing and ensuring that all necessary and appropriate delegations are in place to enable the CEO and the management team to meet this responsibility.

At each meeting where the Board approves the full-year financial statements, the CEO must provide the Board with written certification which includes statements that:

- a) The RACI's financial reports present a true and fair view, in all material respects, of the RACI's financial condition and operational results and are in accordance with relevant accounting standards;
- b) this certification is assured on the basis of a sound system of risk management, internal compliance and controls which ensure full implementation of the policies adopted by the Board; and
- c) The RACI's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

15. External auditor

The external auditor may be requested to attend the annual general meeting of the RACI and must be available to answer questions about the audit and the preparations and content of the auditor's report.