

BOARD CHARTER

Advanced Braking Technology LTD

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BOARD CHARTER

Introduction

Advanced Braking Technology LTD, registered as SAFE EFFECT TECHNOLOGIES LTD, Australian Company Number 099 107 623, is a registered company under the Corporations Act 2001 and is taken to be registered in Western Australia.

The company is limited by shares.

The company is a public company.

The day of commencement of registration is the nineteenth day of December 2001.

This document outlines Advanced Braking Technology LTD's (Advanced Braking Technology) corporate governance policy in the form of a Board Charter, which is a written policy document that defines the respective roles, responsibilities and authorities of the board, both individually and collectively, and of management in setting the direction, management and control of the organisation. As such, it establishes the guidelines within which the directors and officers are to operate as they carry out their respective roles. The purpose of this charter is to document the policies upon which the board has decided to meet its legal and other responsibilities.

The charter is structured in accordance with the Corporate Governance Practice Framework and has five sections:

1. Defining Governance Roles;
2. Key Board Functions;
3. Improving Board Processes;
4. Board Effectiveness; and
5. Board Behavioural Dynamics.

Nothing in this charter must conflict with the company's constitution ("constitution"). If such a conflict occurs, the constitution prevails.

Defining Governance Roles

Role of the board

The board and management

The board's role is to govern Advanced Braking Technology rather than to manage it. In governing the company, the directors must act in the best interests of Advanced Braking Technology as a whole. It is the role of senior management to manage the company in accordance with the direction and delegations of the board and it is the responsibility of the board to oversee the activities of management in carrying out these delegated duties. Thus, except when dealing with specific management delegations of individual directors (particularly executive directors), it is misleading to refer to the management function of the board.

The role of the board

The board has the final responsibility for the successful operations of Advanced Braking Technology. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the company. It is required

to do all things that may be necessary to be done in order to carry out the objectives of Advanced Braking Technology. In carrying out its governance role, the main task of the board is to drive the performance of the company. The board must also ensure that the company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

Key functions and responsibilities

The principal functions and responsibilities of the board include the following:

- Providing leadership to the company by:
 - Guiding the development of an appropriate culture and value for the company through the establishment and review of codes of conduct, policies, rules and procedures to enforce ethical behaviour and provide guidance on appropriate work methods;
 - Always acting in a manner consistent with the company's culture and code of conduct;
- Overseeing the development and implementation of an appropriate strategy by:
 - Annually approving the overall process of strategic planning;
 - Approving the structure of plans used by the organisation;
 - Working with the senior management team to ensure that an appropriate strategic direction and goals are in place;
 - Regularly reviewing and updating the company's strategic direction and goals;
 - Ensuring that an appropriate set of strategic internal controls are implemented and reviewed regularly;
 - Overseeing planning activities including the development and approval of strategic plans, annual plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets;
 - Reviewing the progress and performance of the company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis;
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder/stakeholder communications policy, encouraging effective participation at general meetings and, through the chairman, being the key interface between the company and its shareholders;
- Overseeing the control and accountability systems that ensure the company is progressing towards the goals set by the board and in line with the company's purpose, the agreed corporate strategy, legislative requirement and community expectations;
- Ensuring robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- Being responsible for the company's senior management and personnel including:
 - Directly managing the CEO including:
 - appointing the CEO;
 - annually determining the remuneration of the CEO;
 - providing advice and counsel to the CEO including formal reviews and feedback on the CEO's performance;
 - overseeing the development of the CEO; and
 - removing the CEO, where necessary;
 - Ratifying the appointment, the terms and conditions of the appointment and, where appropriate, the removal of the company secretary and other senior managers, as determined by the board;
 - Oversight of annual senior executive performance reviews;

- Ensuring that an appropriate succession plan for the CEO, CFO, company secretary and other senior managers, as determined by the board, is in place;
- Ensuring appropriate human resource systems (including WHS systems) are in place to ensure the well-being and effective contribution of all employees;
- Promoting diversity within all levels of the company including:
 - Approving the company's policies in relation to diversity at all levels of the company including the board;
 - Establishing measurable objectives for achieving diversity at all levels of the company including the board;
 - Assessing annually the measurable objectives set by the board in relation to diversity at all levels of the company including the board and the progress in achieving them, including a review of the relative proportion of women and men in the workforce at all levels of the company;
- Delegating appropriate powers to the CEO, management and committees to ensure the effective day-to-day management of the business and monitoring the exercise of these powers; and
- Making all decisions outside the scope of these delegated powers.

The detail of some board functions is handled through board committees. However, the board as a whole is responsible for determining the extend of powers residing in each committee and is ultimately responsible for accepting, modifying, or rejecting committee recommendations.

Board structure

Number of directors

The company shall at all times have at least three directors, at least two of whom must ordinarily reside in Australia. The number of directors shall not exceed nine.

The board's policy is that the majority of directors are independent, non-executive directors. This ensures that all board discussions or decisions have the benefit of outside views and experience, and that the majority of directors are free of any interests or influences that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company.

In the opinion of the board, all directors should bring specific skills and experience that add value to the company. The balance of skills, experience, and diversity of the board is regularly reviewed by the Remunerations & Nomination Committee.

Director independence

The board has adopted the guidelines used to assess independence set out in the ASX Corporate Governance Council's Corporate Principles and Recommendations (ASX Principles) (2010). As guidance, to be judged independent, a director must be independent of management and have no material business or other relationship (such as a family relationship) that could interfere with the exercise of independent judgement or the proper execution of a director's duties. The independence of the company's non-executive directors is assessed on an ongoing basis.

Skills required on the board

When considering the potential reappointment of an existing director, the board takes into account the individual's performance as well as the skills and experience mix required by the board into the future.

When considering vacancies, the board takes into account a candidate's capacity to enhance the mix of skills and experience of the board.

Skills assessment

The regular assessment of the range of qualifications, skills, experience, and diversity of gender, age, experience, relationships and background on the board allows for the identification of particular competencies and perspectives that best increase the board's effectiveness.

The board, through the Remuneration & Nomination Committee, maintains a regularly reviewed skills matrix. This matrix includes industry, technical and governance competencies as well as personal attributes. The Remuneration & Nomination Committee normally reviews the board's composition against this matrix and recommends any changes in board composition on at least annual basis. An essential component of this matrix is the time available of directors.

Appointment of directors

Directors are appointed under the terms of the company's constitution.

Terms and conditions of appointment

The terms and conditions of the appointment of new non-executive directors are contained in a letter of appointment which sets out, amongst other things:

- Term of appointment;
- Remuneration;
- Expectations in connection with meetings and committees;
- Classification as an independent director (if applicable) and expectations in this regard;
- Compliance with corporate governance policies (including code of conduct, conflict of interest policy, [securities trading, etc]);
- Outside directorships; and
- Indemnification and insurance.

All directors have access to company information, management and the company secretary to enable them to carry out their responsibilities.

Directors may also call on independent, professional advice at the expense of Advanced Braking Technology in carrying out their duties. It is expected that prior consultation with the chairman will take place before consultation with external advisers.

Outside directorships

In order that members of the board can fulfil their duties as directors, a non-executive director must continually assess the number of boards, and any committees of other boards, on which they serve to ensure that each organisation can be given the time and attention required.

A non-executive director must inform the chairman prior to accepting an invitation to become a director of any organisation other than Advanced Braking Technology. The chairman will

consider whether the proposed directorship will interfere with the ability of the non-executive director to fulfil their role at Advanced Braking Technology and whether there is any conflict of interest.

In support of candidature for directorship or re-election as a director, non-executive directors must provide the Remuneration & Nomination Committee with details of their commitments and an indication of time involved. Prior to appointment or being submitted for re-election, non-executive directors must specifically acknowledge to the board that they have sufficient time to meet what is expected of them as directors of Advanced Braking Technology.

Rotation of directors

As contained in the company's constitution, the length of appointment for a director is 3 years. To ensure a gradual and controlled movement of directors, the longest serving third of all directors is expected to retire at each AGM, but are eligible for re-election.

There is a compulsory retirement age for non-executive directors as stipulated in the company's constitution.

Vacation of office

It is envisaged that directors will remain on the board until required to vacate the office, as detailed in the constitution. The terms and conditions for directors are contained in their letter of appointment.

If it is necessary to appoint a director for shorter periods of time to reflect necessary expertise or skills on the board, this situation will be clearly identified in the relevant director's letter of appointment.

The role of individual directors

Director's general roles

Advanced Braking Technology directors have ultimate responsibility for the overall successful operations of the company. In line with other companies, their duties relate to:

- the strategic direction of the company;
- financial operations and solvency;
- all matters as prescribed by law including, but not limited to, safety and the environment; and
- all major policy issues including, but not limited to, industrial relations and quality assurance.

In particular, section 181(1) of the *Corporations Act 2001* states that director must act in the "best interests of the corporation".

Director's code of conduct

In accordance with legal requirements and agreed ethical standards, Advanced Braking Technology directors:

- owe a fiducial duty to the company as a whole;
- use the powers of the office for proper purpose;
- discharge their duties in good faith and honestly;
- act with the level of skill, care and diligence expected of a director of a company;
- demonstrate commercial reasonableness in their decisions;

- act for the benefit of the company;
- do not make improper use of information gained through their position as a director;
- do not take improper advantage of the position of director;
- do not allow personal interests, or the interest of any associated person, to conflict with the company;
- make reasonable enquiries to ensure that the company is operating effectively, efficiently and legally towards achieving its goals;
- undertake diligent analysis of all proposals placed before the board;
- do not engage in conduct likely to bring discredit upon the company;
- give of their specific expertise generously to the company; and
- comply with the spirit, as well as the letter, of the law and with the principles of the charter.

Expectations of directors in board process

A director must, in good faith, behave in a manner that is consistent with generally accepted procedures for the conduct of meetings at all meetings of the board. This includes, but is not limited to:

- acting in a business-like manner;
- acting in accordance with the constitution;
- addressing issues in a confident and firm, yet friendly manner;
- using judgment, common sense and tact when discussing issues;
- avoiding side conversations, ensuring that all comments are addressed to the full board through the chairman;
- ensuring that others are given a reasonable opportunity to put forward their views (ie refraining from interruption or interjection when another director or person is speaking); and
- being particularly sensitive in interpreting any request or indication from the chairman that aims to ensure the orderly and good-spirited conduct of the meeting.

Directors are expected to be forthright in board meetings and have a duty to question, request information, raise any issues, fully canvass all aspects of any issue confronting the company and cast their vote on any resolution according to their own decision.

Outside the boardroom, however, directors must support their letter and spirit of board decisions in discussions with joint venture partners, suppliers, customers, staff and other parties.

Confidentiality

Directors must keep all board decisions and deliberations confidential. Similarly, all confidential information received by a board member in the course of the exercise of the directors' duties must not be discussed outside the boardroom. It is improper to disclose confidential information, or allow it to be disclosed, without appropriate authorisation.

Time commitment

Directors are expected to allocate:

- two days per month approximately for board meetings;
- four days for business and strategic planning workshops and activities;
- two days for education and training;

- four days for the annual general meeting;
- one day for the induction program for new directors.

Directors are also asked to allocate time as needed for:

- Committee meetings; and
- Other occasional business or events.

Conflict of interest and related party transactions

Directors must:

- disclose to the board actual or potential conflicts or potential conflicts of interest which may exist or might reasonably be thought to exist between the interests of the director or the director's seconded personnel and the interests of any other parties in carrying out the activities of the company; and
- at the request of the board within seven days or such further period as may be allowed, take such steps as are necessary and reasonable to remove any conflict of interest referred to above.

If a director cannot, or is unwilling to, remove a conflict of interest as required then the director must absent himself or herself from the room when discussing matters to which the conflict relates. This entry and exit is minuted.

However, where the board passes a resolution that identifies the director, the nature and extent of the director's interest and clearly states that the remaining board members are satisfied that the interest should not disqualify the director, then that director can take part in discussions and voting involving the conflicting interests.

Directors must indicate to the chairman any potential conflict of interest situation as soon as it arises.

Further, under s 192(1) of the *Corporations Act 2001*, "A director of a company who has an interest in a matter may give the other directors standing notice of the nature and extent of the interest in the matter and that such notice "may be given at any time and whether or not the matter relates to the affairs of the company at the time the notice is given". Such notice will be recorded in a Register of Ongoing Conflicts of Interest.

The same requirement exists for related party transactions. Related party transactions include any financial transactions between a director and Advanced Braking Technology and are to report in writing to each board meeting.

These requirements also apply to all senior officers of the company.

The company secretary maintains a Register of Related Party Transactions, and a Register of Ongoing Conflict of Interest.

Emergency contact procedures

As there is the occasional need for urgent decisions, directors must leave with the company secretary any contact details, either for themselves or for a person who knows their location, so that all directors can be contacted within 24 hours in case of a circulation resolution or other business.

The role of the chairman

The chairman's role is a key one within Advanced Braking Technology. The chairman is considered the "lead" director and utilises experience, skills and leadership abilities to facilitate the governance processes.

Election of chairman

In accordance with the constitution, the directors elect from among their number a chairman. And may determine the period for which the chairman is to hold office.

The chairman will normally be an independent, non-executive director who is selected on the basis of the person's achievements and his or her record as a leader.

All expenses of the chairman are approved by the board. The chairman authorises the expenses of all the other directors and the CEO.

There are two main aspects to the chairman's role. They are the chairman's role within the boardroom and the chairman's role outside the boardroom.

Inside the boardroom

Inside the boardroom the role of the chairman is to:

- Establish the agenda for board meetings in consultation with the CEO;
- Chair board meetings. If the chairman is absent from the meeting or is not present within 10 minutes after the time appointed for the holding of the meeting, a director chosen by the majority of directors present will assume the role;
- Be clear on what the board has to achieve, both in the long and short term;
- Provide guidance to other board members about what is expected of them;
- Ensure that board meetings are effective in that:
 - the right matters are considered during the meeting (for example, strategic and important issues);
 - matters are considered carefully and thoroughly;
 - all directors are given opportunity to effectively contribute; and
 - the board comes to clear decisions and resolutions are noted;
- Brief all directors in relation to issues arising at board meetings;
- Ensure that the decisions of the board are implemented properly;
- Ensure that the board behaves in accordance with the code of conduct; and
- Commence the annual process of board and director evaluation.

Outside the boardroom

Outside the boardroom the role of the chairman is to:

- In conjunction with the CEO, undertake appropriate public relations activities;
- Be the spokesperson for the company at AGM and in the reporting of performance and profit figures;
- Be the major point of contact between the board and the CEO;
- Be kept fully informed of current events by the CEO on all matters which may be of interest to directors;
- Regularly review with the CEO, and such other senior officers as the CEO recommends, progress on important initiatives and significant issues facing the company;
- Provide mentoring for the CEO; and
- Initiate and oversee the annual CEO evaluation process.

Conflict of interest

As with all directors, the chairman is not entitled to vote or participate in the deliberations on any matter in which he or she has a personal interest unless there is compliance with the conflict of interest provisions outlined above.

Removal of chairman

In accordance with the constitution, the chairman may be removed from office by resolution of the directors when reasonable notice of this resolution is given to all directors.

The role of company secretary

The company secretary is charged with facilitating the company's corporate governance processes and so holds primary responsibility for ensuring that the board processes and procedures run efficiently and effectively. The company secretary is accountable to the board, through the chairman, on all governance matters and reports directly to the chairman as the representative of the board.

The company secretary is appointed and dismissed by the board. As outlined in the constitution, the company secretary holds office on terms and conditions as the directors determine. Other persons may similarly be appointed as acting secretary or as an additional secretary. The company secretary must hold appropriate qualifications.

All directors have a right of access to the company secretary.

Specific tasks of the company secretary

The tasks of the company secretary can be categorised into meetings and minutes, compliance and governance administration.

Meetings and minutes

In relation to meetings and minutes, the company secretary is responsible for:

- notifying the directors in writing in advance of a meeting of the board as specified in the constitution;
- ensuring the agenda and board papers are prepared and forwarded to directors prior to the board meeting as set in this charter and any associated policies;
- recording, maintaining and distributing the minutes of all board and board committee meetings as required;
- maintaining a complete set of board papers at the company's main office;
- preparing for and attending all annual and extraordinary general meetings of the company; and
- recording, maintaining and distributing the minutes of all general meetings of the company.

Compliance

With respect to compliance, the company secretary is responsible for:

- overseeing the company's compliance program and ensuring all company legislative obligations are met;
- development, implementation, communication and maintenance of compliance policies, processes and procedures;

- ensuring all requirements of ASIC, the ATO and any other regulatory body are fully met; and
- providing counsel on corporate governance principles and director liability.

Governance administration

The company secretary is responsible for the following governance administration tasks:

- maintaining the Register of Ongoing Conflict of Interest and the Register of Related Party Transactions;
- maintaining a Register of Company Policies as approved by the board;
- maintaining, updating and ensuring that all directors have an up-to-date copy of the Board Charter and associated governance documentation;
- maintaining the complete list of documents executed under a power of attorney, documents executed in accordance with section 127 of the *Corporations Act 2001*, and reporting on the use of the Seal Register; and
- any other services the chairman or board may require.

The role of the Chief Executive Officer

The Chief Executive Officer (CEO) is appointed by the board and holds office until removal, resignation or retirement or according to the terms of his/her contract.

The CEO is responsible for the attainment of the company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the board. The CEO reports directly to the board.

The CEO's performance is assessed annually in light of the achievement of goals, targets and other key performance indicators as determined by the board.

The board, in consultation with the Remuneration & Nomination Committee, maintains a succession plan for the CEO.

The CEO's responsibilities include:

Strategic vision/planning

- Developing with the board a long-term strategy and vision for the company that leads to the creation of shareholder value;
- Identifying potential threats, opportunities and recommending actions for the implementation of the strategic vision/plan;
- Ensuring a sustainable business through implementing appropriate leadership, culture, resources and skills programs;
- Fostering a corporate culture that promotes good corporate governance and ethical practices;
- Developing strategies and implementation plans for major mergers, acquisitions and divestments;
- Establishing a strong working relationship with the board including keeping the board aware of Advanced Braking Technology's strategic and operational performance;

Company performance

- Encouraging managers to evaluate and take actions that are consistent with the company's overall strategy and their key responsibilities which lead to high performance;

- Leading the organisation to achieve all targets within agreed risk, governance and financial parameters;
- Driving improvement in all operational activities to secure the integrity/viability of the business;
- Challenging basic assumptions underlying operations;
- Act as a sounding board for senior managers;
- Consulting, liaising and negotiating with internal and external stakeholder groups;
- Assisting with the review of key business decisions and outcomes for improved performance;
- Developing operational goals for each senior manager, which are aggressive, and tied to long-term goals;
- Running the annual planning/budgeting process;
- Ensuring adherence to annual budgets;
- Following up on decisions made in board and management meetings and ensure proper execution;
- Monitoring business unit performance and the performance of direct reports against performance goals to ensure that progress is being made;
- Carrying out the annual evaluation of all direct reports;

Company spokesperson

- Maintaining primary contact and developing relationships with key stakeholders including shareholders, the media, customers and government representatives;
- Assisting other key management personnel to be a company representative in relevant areas;

Succession planning/mentoring

- Ensuring, in cooperation with the board, that there is an effective succession plan in place for the CEO position;
- Continuing to develop capabilities for senior management to ensure succession opportunities at all levels;
- Being available for mentoring and guidance to management;
- Providing a sounding board for members of the senior management team;

Leadership

- Managing all aspects of operations including the risk management and internal control systems, processes and procedures;
- Providing a safe working environment;
- Focussing on environmental sustainability and meeting obligations under carbon emission legislation;
- Being a positive role model as a member of the management team and assisting in building a positive working environment;
- Treating employees fairly and with respect;
- Ensuring senior management team members understand the company's expectations of them;
- Developing senior management team members' capabilities;
- Giving regular feedback and holding team members accountable for their performance; and

- Building and maintaining direct relationships with members of the senior management team.

The CEO is formally delegated by the board to authorise all expenditures as approved in the budget and in line with the *Delegation of Authority*, subject to:

- All CEO compensation, outside of normal monthly remuneration, must be authorised by the chairman.
- All business-related expenses paid to the CEO must be authorised or ratified by the chairman.

The CEO is responsible for the appointment of specific management roles and with ensuring appropriate succession plans are in place for direct reports. Subject to approval by the Remuneration & Nomination Committee, the CEO is responsible for changes to remuneration arrangements, performance targets, and assessments of performance for the individuals reporting to the CEO.

Key Board Functions

Strategy formulation

The board is involved in the development and approval of the corporate and business strategies of Advanced Braking Technology.

Each year, at the commencement of the strategic planning cycle, the CEO presents to the board a paper for approval setting out the proposed process of strategy development for the year, including:

- The types of plans to be developed;
- The time horizons of these plans;
- Who will be involved in the development of plans;
- The board's role in the process; and
- How the planning process will be related to the budgeting process.

The board must ensure that sufficient attention and time is devoted to strategic matters at each board meeting.

Progress on the implementation of the strategic plan comprises part of the CEO's board report.

It is expected that all papers requiring significant resource decisions will address how the decision is related to the agreed strategy.

The board and the chief executive officer

The board is responsible for planning the succession of, appointing, remuneration, advising, monitoring, evaluating, and, if necessary dismissing, the chief executive officer (CEO).

CEO succession planning and appointment process

The board recognises that one of its major risks is the loss of key personnel, particularly the CEO. To this end, the board has developed a succession plan for the CEO and approves succession plans for other senior management position. The succession plan contains basic details for the recruitment of a new CEO, including a schedule detailing roles and

responsibilities related to CEO recruitment, advertising, selection and decision-making processes. This plan covers both planned and unplanned departures.

The succession plan is reviewed and updated annually. Further, the board has designated the CFO to assume the role of acting CEO to ensure that there is in place an emergency management regime that can operate in the event of unexpected loss of the CEO's services.

CEO remuneration

The company's aim in rewarding the CEO and key executives is to provide base pay plus performance-linked rewards and other benefits that will attract and retain key executives and align their financial interests with those of shareholders.

The CEO and Executive Remuneration Policy sets out the board's philosophy with respect to executive remuneration, the structure of executive remuneration packages and the means by which remuneration is set. This policy is developed and reviewed by the Remuneration & Nomination Committee and is shared with the board annually.

CEO mentoring role

It is recognised that a key duty of directors is to provide a sounding board for the CEO and acting as a mentor for the CEO. Recognising that the CEO-board relationship is critical to effective corporate governance, directors should provide frank and honest advice to the CEO. It is expected that the chairman will play a key part in this role and will maintain regular contact with the CEO.

CEO monitoring and assessment

The board undertakes regular performance monitoring of the CEO. This culminates in a formal annual assessment of the CEO.

CEO assessment is undertaken by the full board according to the process developed by the Remuneration & Nomination Committee and approved by the board on an annual basis.

Monitoring

A fundamental function of the board is to monitor the performance and compliance of the organisation. With this general principle in mind, the board is charged with approving and monitoring relevant financial and non-financial key performance indicators (KPIs) to be reported by management. These KPIs, where possible, are benchmarked for industry comparison of the company's performance.

The CEO is responsible for overseeing the production of reports and other information necessary for the board to fulfil its obligation of reviewing financial and strategic performance. The board may obtain additional independent advice to obtain an objective outsider's view of or to verify any report made available to it.

Progress on the Strategic Plan comprises part of the CEO's monthly report to the board. In addition, the CEO is to determine the allocation of review objectives to each of the quarterly review meetings, so that all are covered in a 12-monthly cycle.

The board enquires into and follows up areas of poor performance and their cause, and considers and approves any action/remediation plans to be implemented.

The board's monitoring system is subject to continual review and refinement.

Audit process

The board has a process for review and authorisation to ensure the truthful and factual representation of the company's financial position. This process includes:

- External audit;
- Internal audit;
- Review of the company's annual financial statements by the board.

External auditor

The board is responsible for the appointment of a qualified external auditor, with appropriate skills, knowledge and experience subject to shareholders' approval at the company's annual general meeting.

The board reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal on an annual basis prior to the annual general meeting of Advanced Braking Technology.

The external auditor must attend the annual meeting and must be available to answer questions about:

- The conduct of the audit;
- The preparation and content of the auditor's report;
- The accounting policies adopted by Advanced Braking Technology in relation to the preparation of the financial statements; and
- The independence of the external auditor in relation to the conduct of the audit.

CEO and CFO financial report verification

The CEO and CFO must each provide a statement to the board with the half yearly and annual financial report to the effect that the company's risk management and internal compliance and control system is operating effectively and efficiently in all material aspects.

Compliance

The purpose of compliance is to ensure the organisation adheres to defined laws, regulations or standards. A compliance system links legislative and other requirements to the company's policies and processes. Legal or regulatory risk arises if the company fails to put in place appropriate policies, procedures or controls to ensure it conforms to laws, regulations, contractual arrangements and other legally binding agreements and requirements.

The board is charged with overseeing, reviewing and ensuring the reliability and effectiveness of Advanced Braking Technology's compliance systems. As such, compliance is a quality control system that is part of a proactive risk management strategy. To carry out its compliance function, the board commits to the following:

- The board has established a Finance, Audit & Risk Committee that is responsible for overseeing Advanced Braking Technology's compliance systems and reporting to the board on those systems.
- A Code of Conduct for the company ensures the highest of ethical standards and business behaviours are maintained.
- The Finance, Audit and Risk Committee is to ensure that systems, processes and procedures are adopted to ensure full compliance with all relevant laws and regulations.

- The board complies with its reporting requirements under the *Corporations Act 2001*, the requirements of ASIC, the ATO and any other regulatory body, and with any funding agreements.

The board views compliance as an integral function and recognises that for the compliance system to succeed it must be championed by the board along with management.

Compliance register

The Compliance Register is the list of compliance requirements that have been identified by the board and/or management and is maintained by the company secretary. The purpose of this register is to match the policies and procedures of Advanced Braking Technology with the relevant legislation. Therefore, the Compliance Register is the key means, at an organisational level, for:

- Identifying and recording the key legislative and regulatory requirements for Advanced Braking Technology;
- Recording the key compliance activities required of the company; and
- Identifying and training required to achieve or assist in meeting compliance.

Risk management

Risk management is the process of defining and analysing risks, and deciding on the appropriate course of action in order to minimise those risks, while still achieving Advanced Braking Technology's strategic direction. Effective risk management also enables the company to take advantage of opportunities as they arise.

Since risk management is a complex and critical component of Advanced Braking Technology's governance, the board has established a Finance, Audit & Risk Committee to oversee and guide the detail of this topic.

The CEO is charged with implementing appropriate risk management systems within Advanced Braking Technology. Aspects of this process may be delegated.

The risk management system at Advanced Braking Technology is based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Model and the Australian Standard, AS/NZS ISO 31000.

Risk management is considered a key governance and management process. It is not an exercise merely to ensure regulatory compliance. Therefore, the primary objectives of the risk management system at the company are to ensure:

- All major sources of potential opportunity for and harm to Advanced Braking Technology (both existing and potential) are identified, analysed and treated appropriately;
- Business decisions throughout Advanced Braking Technology appropriately balance the risk and reward trade-off;
- Regulatory compliance and accuracy in reporting are achieved; and
- Senior management, the board and investors understand the risk profile of Advanced Braking Technology

In line with these objectives and the COSO Model, the risk management system covers:

- Operations risk;
- Financial reporting; and
- Compliance.

The Finance, Audit & Risk Committee reviews all major strategies and purchases for their impact on the risk facing the company and makes appropriate recommendations to the board. The company also undertakes an annual review of operations to update its risk appetite. This normally occurs in conjunction with the strategic planning process.

The board receives a quarterly report on those areas of risk identified by the Finance, Audit & Risk Committee. In addition, as specified by Recommendation 7.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the CEO and CFO provide written assurance that the risk management system is effective and accurately reflected in the company's financial statements.

Policy framework

A key role of the board is to set boundaries, or policies, in which the organisation must operate. Key policies include the Code of Conduct; Conflict of Interest and Delegation of Authority. Appendix 1 provides a list of major policies requiring board approval.

Delegation of authority

Advanced Braking Technology's board has reserved all powers for itself. Delegated authorities to management are set out in the Delegation of Authority Policy. Where a delegation is not specified in the Delegation of Authority Policy, the board retains the authority and approval to act must be sought from the board.

A summary list of delegations and authorities is provided to all Advanced Braking Technology locations, while a complete list is held in the company's head office.

Directors' authorities and delegations

The powers to direct and manage the company lie with the full board. Consequently, individual directors have no individual authority to participate in the day-to-day management of Advanced Braking Technology, including making any representations or agreements with suppliers, customers, employees or other parties or organisations.

The exception to this principle occurs where the board through resolution explicitly delegates an authority to the director individually. Any such delegation must be recorded in the company's minute book.

The full board in delegating a power is still responsible for the exercise of the power by the delegate, as if the power had been exercised by the directors themselves. The board meets this responsibility provided the directors believe on reasonable grounds that the delegate will exercise the power in conformity with the requirements of the company and the law. Further, the directors must be satisfied that, after having made proper inquiry, the delegate is reliable and competent in relation to the power delegated.

Similarly, committees and their members require specific delegations from the board as a whole, and these are contained in each committee's charter.

Networking

Developing business networks and working to promote the reputation of the organisation are important ways for directors to add value to Advanced Braking Technology.

Directors are expected to act as ambassadors for Advanced Braking Technology, and are expected to develop and maintain connections for the benefit of Advanced Braking Technology.

Further, to enable the board as a whole and management team to achieve an amicable and productive relationship, directors are encouraged to become acquainted with Advanced Braking Technology's senior managers and staff, through attendance at Advanced Braking Technology's social events and to visit Advanced Braking Technology's offices when appropriate, having informed the CEO prior to the visit. Discussions between the board and management on issues of importance are scheduled as required.

Directors are encouraged to become acquainted with other board members. To facilitate better relations among members of the board, social events and team building activities outside of board meetings are scheduled into the annual calendar of activities.

Stakeholder communication

Advanced Braking Technology has established a Continuous Disclosure Policy, which is designed to ensure that Advanced Braking Technology complies with its continuous disclosure obligations that arise under the ASX Listing Rules. All information released to the ASX is posted to the company's website as soon as practicable after notification to the ASX and no later than the close of the business day following the announcement.

The board regularly reviews the company's compliance with its continuous disclosure obligations. The company secretary is responsible for coordinating disclosure of information to the ASX, the Australian Securities and Investments Commission (ASIC) and shareholders. The Advanced Braking Technology website maintains, at a minimum, information about the last three years' press releases or announcements on the website. Additionally, the full text of the company's annual report, notice of meetings and explanatory materials are placed on the website.

Internal and external communication

The nature of Advanced Braking Technology's operating environment lends itself to both informal and formal communication. The board recognises that internal communication is one way in which Advanced Braking Technology can strengthen the organisation's culture and feeling of commitment among senior managers and employees. Good communication is also an important part of the internal control environment.

Formal internal communication is a key responsibility of the CEO.

Communications with external stakeholders includes matters relating to Advanced Braking Technology's strategic direction and decisions, and information about its operations. To fulfil its goals for external communication, the company employs a variety of communication tools. These include:

- Website and social media;
- Publications, eg annual report, strategic plan;
- Media releases;
- Verbal or face-to-face briefings with external stakeholders;
- Consultation with key stakeholder groups;
- Written correspondence from Advanced Braking Technology; and
- Industry forums and networking opportunities.

Externally, the board has designated the CEO or the chairman (where appropriate) to speak to external parties on matters associated with Advanced Braking Technology.

The chairman is authorised to comment on:

- Annual and half-yearly results at the time of the release of the annual or half-yearly report;
- Resolutions to be put to general meetings of the company;
- Changes in directors, any matter related to the composition of the board of board processes;
- Any speculation concerning board meetings or the outcomes of board meetings; and
- Other matters specifically related to shareholders.

The CEO is authorised to comment on:

- The company's future outlook;
- Any operational matter;
- Product recalls, product failures and other media queries concerning operational issues which reflect either positively or negatively on the company;
- Proposed or actual legal actions;
- Queries and general discussions concerning the company's industry; and
- Any immediate crisis affecting the company as set out in the Crisis Management Plan.

The CEO may delegate some of these areas to another company representative. Details of these delegations can be found in the Delegation of Authority Policy.

[Protocol for interaction with internal and external parties](#)

There will be times when directors will be approached by individuals or groups to comment on behalf of the board or organisation. For example, a member of the community or media representative may contact a director to comment on a proposal put to the board that has not yet been decided on. When such situations occur, the director(s) must comply with the following:

- Refer the person to the CEO or chairman as appropriate for comment;
- Refrain from disclosing any information, documents or other forms of data to the person without the prior consent of the CEO or chairman; and
- Report the person who contacted the director, the reason for the contact and a summary of any other relevant information as soon as possible to the CEO or chairman.

[Crisis communication](#)

The board's role in crisis communication is contained in the company's Crisis Communication Plan. This plan reinforces the board's commitment to effective communication and engagement with its stakeholders and maintains its aim to build a structured and coordinated approach to crisis management.

[Gifts and entertainment](#)

While Advanced Braking Technology recognises the need from time to time to give or accept normal business courtesies in accordance with ethical business practices, directors must not ask for such courtesies and must not accept gifts, services, benefits or entertainment that might influence, or appear to influence, the directors' conduct in representing Advanced Braking Technology. Directors must not accept any gift, service, benefit or entertainment with a value exceeding \$100 unless prior approval is obtained from the chairman.

Decision making

Good decision making is essential to board effectiveness. As such, the following principles apply to board decision making:

1. Decision making must be informed:
 - Information provided to the board is accurate, balanced and presented as an efficient guide for decision making;
 - Information must be provided to the board in a timely manner to permit informed judgment;
 - The board seeks the relevant expert advice to ensure decision making is enhanced and that all statutory and legal obligations are met;
2. The board discusses issues deliberately:
 - Board discussions are systematic, objective and open;
 - Directors consider the information in context and give the time necessary to avoid forcing decisions prematurely;
 - Directors put aside personal differences and hidden agendas and consider the merits of a particular situation or issue without prejudice;
 - Directors are honest and forthright in their exchange of viewpoints;
3. The board considers alternative courses of action by:
 - Discussing different points of view and hearing from all sides;
 - Assessing the positive and negative consequences of proposals;
4. The board works towards consensus:
 - Directors try to find areas of commonality, tolerate differences and recognise the need for compromise in reaching agreement;
5. Major strategic decisions, where possible, are discussed over a number of board meetings to enable:
 - The board to be part of the process of thinking about the decision;
 - The board to indicate to management the options it wants evaluated;
 - The board to specify what information it requires;
 - The board to be able to seek independent advice in advance of the decision.

Improving Board Processes

Board meetings

The board meetings and agenda are fundamental governance processes. The board meeting is critical as it is the main opportunity for directors to:

- obtain and exchange information with the senior management team;
- obtain and exchange information with each other; and
- make decisions.

The board meeting agenda is important as it shapes the information flow and subsequent discussion.

Meeting frequency

Unless otherwise agreed, the board meets at least monthly. Board meetings are generally held in the last week of every month.

Alternatively, a board meeting can be convened under the Advanced Braking Technology constitution when any director so requests at any time. In such situations, a minimum of 24 hours' notice must be given unless it is an emergency meeting.

While it is envisaged that these will be physical meetings of the board, it is recognised that meetings may be convened electronically.

A schedule of the upcoming board and committee meetings for a 12-month period is approved at each board meeting.

Meeting time

The physical board meeting alternates between Advanced Braking Technology's Melbourne office and its head office, 19 Creative Street, Wangara, Western Australia, 6065 where every third meeting shall be held in the Perth office, and will generally commence at 1pm.

Attendees

Attendees comprise all board members including the company secretary. In addition, senior executives scheduled to give presentations and other parties needing decisions to be taken by the board are invited for the relevant part of the meeting. Similarly, as contained in the constitution, the chairman or a majority of directors may request the attendance at any meeting of the board any person who, in their opinion, may be able to assist the board in any matter under consideration.

Emergency decision making – circulating resolutions

Any urgent decision that cannot wait until the next board meeting can be dealt with by circular resolution as per the company's constitution.

All directors, approving the action, must sign circulating resolutions. Generally, this approval is effective when a signed copy (including facsimile or other document produced by mechanical or electronic means) of the resolution is received from each director.

The collated copies of signed resolutions are the record of the decision until the next board meeting. At the board meeting immediately following the circulating resolution, the decision is ratified and entered in the minute book as a single entry.

Where all directors do not sign a circulating resolution, the item is deferred to the next board meeting.

Quorum

In order for a decision of the board to be valid, a quorum of directors must be present. According to the constitution, there must be a minimum of two directors present at any board meeting.

Voting at meetings

A majority of votes by directors present and entitled to vote decides questions arising at board meetings. Each director has one vote on every occasion except the chairman, who has in the case of an equality of votes a casting vote. However, the chairman has no casting vote where only two directors are competent to vote on the question.

Meeting via technology

The board and its committees may hold meetings at one or more venues using any technology (eg teleconferencing, webcasts) that gives all board members or the relevant committee a reasonable opportunity to participate in the meeting. However, the personal attendance of board members at meetings is preferred.

Where a meeting is arranged to be held in the form of a teleconference or online, the chairman should notify members accordingly. Participation in these meetings is equivalent to attendance at a regular meeting.

Meeting cycle

To assist the smooth running of board processes the Advanced Braking Technology board has adopted an indicative monthly cycle as shown in the table below. The indicative cycle gives the board members seven days to review the agenda and board papers to save valuable time at meetings by being prepared for discussion and allowing them to seek clarification or further information in advance on any items that are unclear or confusing.

Under normal circumstances, the monthly cycle for Advanced Braking Technology board meetings is:

Item	Day of month
Draft agenda prepared by CEO and forwarded to the chairman	7
Full agenda finalised and confirmed by chairman	16
All papers circulated to board meeting attendees	16
Board meeting	23
Draft minutes sent to chairman	25
Draft minutes sent to directors	30

This is an indicative cycle, which needs to be fitted to each month.

Conduct of meetings

The chairman determines the degree of formality required at each meeting while maintaining the decorum of such meetings. As such, the chairman must:

- ensure that all members be heard;
- retain sufficient control to ensure that the authority of the chairman is recognised – this may require a degree of formality to be introduced when it is required to make progress;
- take care that the decisions are properly understood and well recorded; and
- ensure that the decisions and debate are completed with a formal resolution recording the conclusions reached.

In-camera session

Normally, the non-executive directors of Advanced Braking Technology meet informally without the presence of management for 15 minutes prior to the start of the board meeting. The purpose of this meeting is to allow the non-executive directors to raise or explore any issues of concern or clarification prior to the meeting.

Board meeting agenda

A formal agenda is an important part of the board meeting because it shapes the information flow and subsequent discussion. An agenda is prepared for each board and committee meeting. The board meeting agenda generally follows the format outlined below.

Draft template agenda

	Estimated Time
1. In-Camera Session	30 minutes
2. Meeting Opening 2.1 Apologies 2.2 Director Conflict of Interest Disclosure 2.3 Previous Minutes 2.3.1 <i>Confirmation</i> 2.3.2 <i>Matters Arising/Action List</i> 2.4 Starring of Items	30 minutes
3. Matters for Decision 3.1 Major Strategic Decisions 3.2 Routine Decisions	60-120 minutes
4. Matters for Discussion 4.1 Chief Executive Officer's Report 4.1.1 <i>Current Significant Issues</i> 4.1.2 <i>Matters for Approval</i> 4.1.3 <i>Update on Strategic Plan Implementation</i> 4.1.4 <i>Major Key Performance Indicators</i> 4.1.5 <i>Risk and Compliance Update</i> 4.1.6 <i>Matters for Noting</i> 4.2 CFO's Report 4.3 Discussions Concerning Forthcoming Strategic Decisions 4.4 Committee Minutes 4.4.1 <i>Finance, Audit and Risk Committee</i> 4.4.2 <i>Remuneration and Nomination Committee</i> 4.4.3 <i>Business Development Committee</i> 4.5 Other Matters for Discussion 4.6 Chairman's Update 4.7 Presentations by Management	60-120 minutes
5. Matters for Noting 5.1 Major Correspondence 5.2 Common Seal, if applicable 5.3 Updated Board Calendar 5.4 Other Matters for Noting	10 minutes
6. Meeting Finalisation 6.1 Review Actions to be Taken 6.2 Decisions/Items for Public Disclosure 6.3 Meeting Evaluation 6.4 Next Meeting 6.5 Meeting Close	10 minutes

*Time limits are indicative and are subject to change for important items

Agenda preparation

The CEO in consultation with the chairman and company secretary prepares the first draft of the coming agenda. The initial agenda is prepared in detail by the company secretary based on this first draft.

After confirmation by the CEO, the final agenda is sent to the chairman for ratification.

The agenda is then circulated to all directors at least seven days prior to the meeting. Any director may approach the chairman and request that a particular item be added to the agenda for a meeting.

Starring of items

To improve the efficiency of board meetings, a “starring system” is used to separate non-controversial agenda items in “Other Matters for Decision” and “Matters for Noting”. Starred items are those items that require discussion. These items are designated with an Asterix (*) in the agenda. Any director can request a paper for decision or paper for noting to be “starred”. Unstarred items are approved in accordance with the relevant draft resolution, without discussion. The starred items on the agenda are discussed individually at the appropriate point in the agenda.

Items may be starred in two ways:

1. Before the meeting any director may contact the company secretary and request that an item be starred. The company secretary then notifies the chairman, who will announce this at item 2.4 of the agenda.
2. At item 2.4 in the agenda, any director can require an item to be starred. Items starred using either process are dealt with separately at the appropriate point in the agenda.

All unstarred items in the agenda at items 3.2 and 5 are taken to be approved or noted in accordance with the draft resolution, which appears in the board paper.

Matters arising from the minutes

This item normally covers any point from the previous minutes about which any attendee requires further information, or a progress report, and which is not raised in the main body of the meeting.

In the first instance, the chairman flags matters for reporting. At the end of the chairman’s flagged “items arising”, any other attendee is free to raise any item from the minutes. Items are either be dealt with as raised, or it is noted where in the agenda the item will be discussed. Each item raised and the responses are recorded in the minutes of the meeting.

The company secretary keeps a register of outstanding items arising from previous board meetings that is taken at each meeting.

Matters for decision

Matters for decision are any items requiring board approval that are not delegated to the CEO. These are:

- Major strategic decisions; and
- Routine decisions.

Major strategic decisions are likely to affect the long-term direction of Advanced Braking Technology and therefore have risk, legal, compliance and financial implications for the company. As such, for any major strategic decision, there must be a full board paper containing:

- A draft resolution the board is asked to pass;
- Discussion on how the proposal is linked to the current strategic plan and any strategic implications;
- Discussion on the financial implications;

- A risk analysis noting any major risks associated with the proposal and how these risks will be managed;
- Discussion of the legal and compliance implications stemming from the proposal; and
- Identification of those with overall responsibilities for the proposal and those who will deal with the matter on a day-to-day basis if the proposal is approved.

Routine decisions are matters that are likely to be noncontroversial or are decisions the board makes frequently or repetitively for which the CEO does not have delegated authority.

Routine decisions must be accompanied by a short paper explaining why it is a routine matter and a draft resolution. Routine decisions are handled through the starring system and are only discussed if requested by a director.

Matters for discussion

Matters for discussion include:

- CEO's report;
- CFO's report;
- Committee reports;
- Chairman's update, if required;
- Presentations by management; and
- Other matters for discussion

CEO's report

The CEO's report is a key component of the board meeting. It is through this report that directors are kept informed of Advanced Braking Technology's operations and activities. It also serves as major documentary evidence of the extent to which directors have asked to be kept informed and have been kept informed of the company's activities.

The CEO's report is provided in a written format and expanded verbally by the CEO at the meeting. The written report must be included with the board pack and circulated seven days before the meeting.

The CEO's report, at a minimum, must contain comments on the following:

- current significant issues;
- matters for approval;
- progress on the strategic plan;
- key performance indicators:
 - financial; and
 - non-financial;
- next year's forecast including:
 - forecast financial performance; and
 - forecast key performance indicators;
- monitoring of the regulatory environment;
- monitoring of major competition;
- staffing activities;
- marketing activities;
- operational matters;
- compliance report including:
 - liquidity;
 - financial and secretarial (including ACCC requirements);

- tax returns;
- licences and permits;
- safety;
- environment;
- industrial relations including employment contracts;
- trade practices and the ACCC;
- quality assurance;
- privacy;
- insurance; and
- other significant compliance issues;
- risk management; and
- any other significant items.

The CEO may delegate the writing of various sections of the report. Similarly, where appropriate, other senior executives may speak to sections of the CEO's report.

If a decision is required on any aspect of the CEO's report that is not included elsewhere in the agenda, the report contains the recommended resolution. The resolution accompanying the CEO's report is:

The CEO's report be accepted.

CFO's report

The CFO addresses the financial performance of the organisation including:

- overall financial performance including at a minimum:
 - balance sheet (statement of financial position) to end of the previous month;
 - statutory profit and loss (statement of financial performance) to the end of the previous month;
 - financial facilities;
 - cash flow forecasts; and
 - comments on any significant (5per cent) variation from budget.

The resolution accompanying the CFO's report is:

The CFO's report be accepted.

Report of the Finance, Audit & Risk Committee

Where the Finance, Audit & Risk Committee meeting has been convened since the last board meeting, the minutes of the meeting are circulated with the board papers and must be noted by the board.

These minutes contain any items that the committee wishes the full board or members to note or action. Where appropriate, the minutes will contain information on reviewing activities undertaken, initiatives instituted as well as the actual audit itself.

Report of the Remuneration & Nomination Committee

Where the Remuneration & Nomination Committee has convened since the last board meeting, the minutes of the meeting are circulated with the board papers and must be noted by the board.

The minutes contain any items that the committee wishes the full board to note or action. Where appropriate, the minutes will contain information on reviewing activities undertaken as well as initiatives instituted.

Report of the Business Development Committee

Where the Business Development Committee has convened since the last board meeting, the minutes of the meeting are circulated with the board papers and must be noted by the board.

The minutes contain any items that the committee wishes the full board to note or action. Where appropriate, the minutes will contain information on reviewing activities undertaken as well as initiatives instituted.

Board working parties

Where the board has established working parties, these must provide a progress report to each meeting of the board. These reports will be written, although it is not expected that they be lengthy, except if a major decision is required.

The company secretary collates these reports.

Where a decision is required, a recommended resolution must be included with the papers.

Matters for noting

The chairman normally introduces “information only” submissions and begins discussions by asking board members if they have any questions.

Included under matters for noting is major correspondence, which comprises any correspondence received by the chairman, the CEO, other senior officers of the company, or the company secretary about which directors should be aware. Such correspondence may include, but is not limited to, any non-routine correspondence from:

- ASIC;
- the ATO;
- the ACCC;
- any other federal, state, territory or local government body;
- any correspondence which impacts on the compliance requirement of the directors;
- any writ, summons or correspondence taking legal action against the company; and
- any correspondence threatening substantial legal action (ie greater than \$25,000) against the company.

Major correspondence is included in the board pack, unless such correspondence is received within the seven days between the circulation of board pack and the board meeting, in which case it can be tabled at the meeting.

Major correspondence is normally “for noting”. However, any director can ask for any item of correspondence to be discussed as part of the starring process.

Review action to be taken

The board reviews the action list compiled by the company secretary during the meeting and amends it as appropriate.

Meeting evaluation

As part of its commitment to improving board process, at the end of each meeting, one person is designated to present a brief evaluation of the board's performance.

The evaluation is a two-step process. The person conducting the evaluation presents an oral report lasting approximately five minutes. This report covers such topics as:

- Overall conduct of the meeting (Was it orderly and well prepared? Did the discussion flow smoothly?);
- Topics for discussion (Was the choice of topics appropriate? Was the greatest amount of time devoted to the most important issues?);
- Board papers (Were there too many/not enough? Were they orderly, presented in an easy-to-read format? Were they delivered in enough time before the meeting?);
- How board members contributed to discussion at the meeting (Did everyone participate? Are people cooperative?);
- Any special issues of concern to directors; and
- Ideas for management.

Following this report, another five minutes is allowed to discuss the evaluation. This process is normally led by the chairman, who focuses discussion on that improvements can be made to both the content and process of board meetings.

Meeting close

After confirming the place, time and date of the next meeting, the chairman formally declares the meeting finished with the time of finishing noted in the minutes.

Board papers

The chairman together with the company secretary is responsible for the preparation and circulation of the board pack. All board packs including a full set of board papers must be circulated to directors to arrive a minimum of seven days before the board meeting.

If a board paper relates to a matter in which there is a known conflict of interest with a particular director, then the relevant board paper is removed by the company secretary on the instructions of the chairman, from the set of board papers sent to that director. In the case of the chairman having a conflict of interest, the board will appoint another director to make final decisions on the forwarding of board papers to the chairman.

The chairman may request to review any paper or any other information supporting each draft agenda item to ensure the paper considers the right matters, adds to the discussion and helps directors to reach a decision. Effective papers must have the right balance between data and detail, analysis and insight, drawing on expertise from relevant managers. The paper should:

- Be written succinctly;
- Follow a consistent format; and
- Clearly identify the issues, stating the resolution recommended.

The chairman will ask for any poorly written papers to be rewritten, allowing for their proper period of circulation before the meeting, or the agenda item will be withdrawn.

Papers should be clearly marked as For Decision, For Discussion or For Noting papers and use the appropriate template.

All decision papers should commence with the recommended resolution and using the board paper cover sheet, as shown in the example below.

Board paper cover sheet	
Agenda item	#5
Agenda item	Audit Committee Report for May 20xx
Sponsor	A. Person
Resolution	<i>That the financial report for May 20xx be adopted.</i>

No papers requiring consideration or decision can be tabled at the board meeting, except with the unanimous approval of the board.

Retention of board papers

The company secretary maintains a complete set of board papers at Advanced Braking Technology's headquarters. Individual directors may also retain their own board papers in a secure location.

Note-keeping on board papers

The only records of board meetings are the official records kept by the company secretary under the requirements of the Corporations Act. However, directors may choose at their discretion to keep their own personal notes or comments on board papers – either in hard copy or annotations on electronic copies.

Individual directors should be aware that the personal notes and comments they choose to make are discoverable under law and so should proceed with caution in this regard.

Electronic access to papers

Board and committee papers, and other governance documentation including charters, policies and plans, are provided electronically through a board portal, which is administered by the company secretary. Directors have access to the board portal via a secure log in and password.

The company uses a board portal to reduce the need for distribution of hard copy board papers and increase the efficiency of board and committee meetings by ensuring that relevant information is provided to directors in a timely manner and is also retained in a secure location for long-term, electronic access.

Directors have an obligation to protect the confidentiality of information stored in the board portal. This obligation is acknowledged through a Confidentiality Agreement relating to the portal and its use on company supplied and personal computers, and mobile devices including laptops, smart phones and tablets.

Board minutes

Minutes contain a brief reference to relevant board papers tabled plus the official resolution adopted by directors.

All decisions are recorded in the minutes by means of a formal resolution.

The draft resolution is contained as the first item of each set of documentation set out in the board papers.

The chairman reads the precise resolution to the board and asks for all in favour and those against. If a director does not voice dissent, it is taken that he or she is in favour of the resolution. The exact wording is recorded in the minutes and whether the resolution was carried or defeated, but does not contain the number of votes.

Directors who dissent can ask to have their decision noted in the minutes.

Where a draft resolution as recommended in the board papers is not adopted, a summary of the reasons for the alternative course of action are noted in the minutes. In addition, if points are raised by directors that are not found in the supporting papers, a brief summary of these points is recorded in the minutes.

In keeping with good practice, the minutes:

- are a concise summary of the matters discussed at a board meeting and reflect a balance of narration and resolution. For example:
 - if someone speaks to a paper without adding substantially new material, the minute is brief;
 - if it is an oral report, or important new material is introduced to a written paper, the minute is more detailed to ensure the record is complete;
- are in an easily readable format;
- provided sufficient material to enable a director or other reader who did not attend the meeting to understand the business conducted and the decisions reached, risks identified and the rationale for the judgment – usually through reference to the relevant board papers or presentations by managers or advisers; and
- provide robust evidentiary documentation in the event of litigation or investigation, but do not waive legal privilege or prejudice the company's position.

Minutes of the board meeting follow the outline of the meeting agenda and contain at a minimum:

- date, time and location of the meeting;
- list of participants, positions and apologies;
- agenda items discussed with resolutions adopted;
- actions arising from the meeting; and
- unresolved items, ie items postponed or not considered, with an explanation.

Minutes are prepared in draft form by the company secretary and provided to the chairman for review within three days of the meeting. Once the draft minutes have been approved by the chairman (normally within five days), the company secretary circulates the draft minutes to all directors.

Directors are requested to send any suggested changes to the company secretary with a copy to the chairman within seven days of receiving the draft minutes.

The minutes circulated for the next meeting are the draft minutes plus annotations as to any suggested changes. If the next meeting is not within 30 days of the minuted meeting, then draft annotated minutes are kept in the directors' minutes book, to be replaced by the signed minutes at the conclusion of the next meeting.

At the chairman's discretion an extract or elaboration of the minutes may be circulated for the purposes of communicating decisions within the organisation.

The minutes of the meetings are confirmed and signed at the next board meeting. Once the minutes have been adopted by the board they cannot be amended.

Board calendar

In order to provide an even distribution of work over the year, the board has adopted a rolling 12-month board calendar. Included are all scheduled board and committee meetings, as well as major corporate and board activities to be carried out in the month in question. The rolling calendar is included in the board pack for each board meeting.

Board committees

The board has ultimate responsibility for actions recommended by the committee. Each committee has its own clearly established charter to indicate its:

- Purpose – terms of reference;
- Powers delegated to it by the board;
- Resources required to complete its duties;
- Reporting requirements; and
- Composition (includes review of numbers)

The Advanced Braking Technology board has the following committees:

- Finance, Audit & Risk Committee;
- Remuneration & Nomination Committee; and
- Business Development Committee

Circulation of committee papers

All committee minutes are to form part of the board pack for the next board meeting. Committee minutes are to be endorsed by the full board. The chairman of each committee presenting minutes provides a verbal update of the committee's minutes.

Working parties

In addition to its committees, the board from time to time may establish working parties comprising members of the board and, if required, a member or members from the senior management team.

Any working group will operate for a defined time period and have a clear set of responsibilities documented in a charter.

Board Effectiveness

Director protection

As a general rule, a director has two key areas of protection – the right to information and the ability to insure against specific risks of being a director.

Therefore, as a matter of policy, the following measures of board member protection apply for directors of Advanced Braking Technology.

All of these issues have been passed in a formal resolution of the board.

Information-seeking protocol

Directors must adhere to the following protocol when seeking information:

1. Approach the CEO to request the required data.
2. If the data is not forthcoming, approach the chairman.
3. If a resolution is still not forthcoming, write a letter to all board members and the CEO detailing the information required, the purpose of the information, and who the director intends to approach in order to obtain the information.
4. As a last resort, employ the provisions of the Corporations Act.

Access to board papers

The complete set of board papers is held by the company secretary on behalf of each director (individually) for a period of at least seven years.

Directors are entitled to access the papers for the period when they were a director on request, even if they have ceased to be directors, and this policy has been adopted as a formal board resolution.

Additionally, the company executes a Deed of Access and Indemnity in favour of each director individually.

Access to independent professional advice

A director of the company is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation, a director may from time to time need to seek independent, professional advice on matters before them.

Prior to seeking professional advice, a director must inform the chairman about the nature of the opinion of information sought, the reason for the advice, the terms of reference for the advice and the estimated cost of the advice. Where more than one director is seeking advice about a single issue, the chairman will endeavour to coordinate the provision of the advice.

If the cost of professional advice is likely to exceed \$5,000, then the board must approve the engagement of an external expert.

Advice so receive should be received on behalf of the board as a whole.

Access to management

The directors have complete and open access to management following consultation with the chairman and CEO.

Access to the company secretary

The board collectively and each director has the right to seek information from the company secretary to assist them to carry out their responsibilities.

Access and indemnity deed and D&O insurance

The company executes with each director a Deed of Access and Indemnity in such reasonable industry accepted form as advised by the company's lawyers and approved by the board. The company arranges for the benefit of each director, subject to cover availability at commercially acceptable premiums to the satisfaction of the board, a policy of directors' and officers' insurance in such reasonable industry accepted form approved by the board after advice taken from the company's insurance brokers.

The company maintains each director's D&O insurance for seven years from the date at which they cease to be a director.

Board evaluation

The board considers the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the board undertakes an annual evaluation of board and individual director performance in April, with the result discussed at the April meeting.

The review is based on a number of goals for the board and individual directors that are established in the preceding review. Performance of the board and individual directors is assessed against a range of qualitative and quantitative criteria, covering the following areas:

- Board's role;
- Board and director responsibilities;
- Strategy and planning;
- Performance monitoring; and
- Meeting processes.

The board may engage an independent advisory firm with expertise in board assessment to facilitate the process.

The process that guides evaluation is designed to ensure that those evaluated clearly understand performance expectations prior to the evaluation period. The key elements of the company's performance evaluation process are:

- The process should be objective and independent;
- The process should encourage open and constructive discussion in relation to performance;
- The board should establish key goals to be achieved by the performance evaluation process;
- Each individual performance assessment should remain confidential.

Chairman evaluation

The performance of the chairman is reviewed on an annual basis in conjunction with the board evaluation process and assesses the chairman on aspects of the role including:

- Leadership;
- Effectiveness of board meetings;
- Management relations;
- Shareholder and stakeholder relations; and
- Ethical behaviour.

Board committees

In April of each year, the board sets a number of expectations of its committees. These expectations are derived after considering the results of previous reviews, an assessment of Advanced Braking Technology's current and future needs, and a review of each committee's charter or purpose. As a result of this review, the board may amend or revoke a committee's charter.

In April of each year, the board undertakes a review of the performance of its committees (including the committee chairman) and may engage in independent party to assist. Based

upon the review, persons and groups are provided with feedback on their performance. The results of the review are a key input into the expectations set by the board.

Director remuneration

Fees

Non-executive directors are paid their fees out of the maximum aggregate amount approved by members of the company in general meeting for the remuneration of non-executive directors. The sum each non-executive director is paid is determined by the Remuneration and Nomination Committee from time to time having regard to the advice of any remuneration advisor.

No additional fees are paid for participation on board committees.

Performance-based bonuses

Non-executive directors do not receive performance-based bonuses.

Expenses

A director is entitled to be reimbursed out of the funds of the company for their reasonable travelling, accommodation and other expenses incurred when travelling to and from general meetings of the members, meetings of the directors or a committee, or when otherwise engaged in the business of the company.

The company is only liable for such expenses to the extent they are consistent with any policy adopted by the board from time to time and substantiated to the satisfaction of the company secretary.

Other benefits

Non-executive directors receive statutory superannuation, have their directors' and officers' insurance premiums paid and are indemnified by Advanced Braking Technology as permitted by law.

Director selection

A formal and transparent procedure for the selection and appointment of new directors to the board helps to engender confidence in that process. The appointment of new members to the board is considered by the Remuneration & Nomination Committee.

The Remuneration & Nomination Committee, according to criteria suggested by the board, identifies potential directors.

The Remuneration & Nomination Committee presents to the board for approval a policy setting out how it goes about the task of selecting directors.

Director induction

New directors undergo a full induction into their role on the board. Information conveyed to the new director includes:

- a copy of this Corporate Governance Charter;

- details of the roles and responsibilities with an outline of the qualities required to be a successful director;
- formal policies on director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements including:
 - the Corporations Act;
 - ATO requirements; and
 - Other major statutory bodies;
- details of past, recent and likely future developments relating to the board, including anticipated regulatory changes;
- background information on, and contact information for, key people in the organisation and an outline of their roles and capabilities;
- an analysis of the current firm including:
 - core competencies of the firm;
 - and industry background briefing;
 - a recent competitor analysis;
 - details of past financial performance;
 - current financial performance;
 - any other important operating information; and
- a synopsis of current strategic directions.

Similarly, each director receives a formal letter of appointment that details:

- terms of appointment;
- remuneration and review policy;
- board renewal policy;
- access to information;
- authority to engage outside specialists for advice;
- insurance coverage; and
- expectations of the board.

Director development

A commitment to ongoing professional development is a commitment to the continuing improvement of the company as a whole. Therefore, directors need to develop themselves and update their knowledge continuously to attain the levels of competence demanded of them as members of the board. Consequently, there is an expectation that all directors will commit to at least two days of professional development each year. The board allocates an annual budget to encourage directors to participate in training and professional development programs.

Any director wishing to participate in specific governance or industry sector related development programs is expected to approach the chairman for approval of the proposed program.

Director development programs must meet individual director's development requirements as identified in the board evaluation process.

Board Behavioural Dynamics

Board behavioural dynamics

The culture and behaviour of the board is fundamental to its effective operations and to the performance of the organisation as a whole. The code of conduct sets out the board's ethical expectations for director behaviour and the table below outlines the behaviours that can negatively affect decision making at board meetings, the relationships between board members, and between the board and management, and thus the performance of the board as a whole.

Board room behaviours to avoid

Behaviour	Description
Arrival and departures	Directors arriving late and/or leaving early
Getting off topic	Hijacking the conversation off onto another topic that serves no useful purpose or is related to a private agenda
Lack of openness and honesty	Withholding information and not telling the truth
Interruptions except by the chairman	Jumping in to say something before a speaker has finished
Side conversations	Directors chatting to each other while the board is in session rather than focusing on the meeting; or sharing their insights on a topic with each other instead of the board as a whole
Take probing questions as a challenge or insult	The individual sees any question that seek more information than he or she has already given as a personal challenge or insult
Discrediting	Discrediting or trivialising the ideas of others
Blocking	Insists on getting his/her way; will not compromise; stands in the way of the board's decision making
Seeking attention/grandstanding	Draws attention to his/her personal skills; boasts
Dominating	Trying to "run" the board through directing and/or bullying
Withdrawing	Does not participate in meetings or offer help or argument or taking pride in being contrary to general opinion
Always playing Devil's Advocate	Individual taking a position for the sake of argument or taking pride in being contrary to general opinion
Criticising	Individuals making negative comments about people on their ideas
Personal slurs	Insulting other people personally
Technological distractions	Includes taking or making calls on mobile phones and using laptops and computers to read emails

It is incumbent upon all directors to avoid such behaviours and, where they see them in their fellow board members, to advise that board member that the behaviour is inappropriate or to contact the chairman with their concerns.

APPENDIX 1

List of major policies requiring board approval

Code of Conduct

Conflict of Interest Policy

Continuous Disclosure Policy

Crisis Management Plan

Delegation of Authority Policy

Human Resources Policy

Quality Assurance Policy

Remuneration Policy

Risk Management Policy

Trade Practices Policy

Workplace Health, Safety and Environment Policy