



TRANSPORT FRIENDLY SOCIETY LTD

ACN 052 046 625

BOARD CHARTER

VERSION 3

21 December 2009

| Version | Compliance Review | Audit Review | Board Adopted |
|----------------|--------------------------|---------------------|----------------------|
| 1 | 17/03/09 | 16/06/09 | 28/04/08 |
| 2 | 15/12/09 | 15/12/09 | 29/06/09 |
| | | | |
| | | | |

TABLE OF CONTENTS

| | | |
|-----|---|---|
| 1. | OVERVIEW | 2 |
| 2. | CONSTITUTION..... | 2 |
| 3. | COMPLIANCE WITH LAWS..... | 2 |
| 4. | BOARD COMPOSITION AND INDEPENDENCE | 2 |
| 5. | DUTIES AND RESPONSIBILITIES | 3 |
| 6. | UNDERSTANDING THE BUSINESS | 4 |
| 7. | BOARD MEETINGS | 4 |
| 8. | COMMITTEES..... | 4 |
| 9. | ACCESS TO INFORMATION AND INDEPENDENT ADVICE | 5 |
| 10. | THE CHAIRMAN | 5 |
| 11. | INDEPENDENCE OF DIRECTORS | 5 |
| 12. | DEED OF INDEMNITY AND ACCESS..... | 6 |
| 13. | RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER (CEO)..... | 6 |
| 14. | THE ENTITY CODE OF CONDUCT | 7 |
| 15. | MEMBER COMMUNICATIONS POLICY | 7 |
| 16. | EXTERNAL AUDITOR..... | 7 |
| 17. | INTERNAL AUDITOR..... | 7 |

1. OVERVIEW

This Charter governs the operations of the Transport Friendly Society Limited (TFSL). The Charter supports the Constitution of TFSL (“the entity”). The Constitution takes precedence in the event of inconsistency.

The Board is responsible for ensuring that TFSL has an appropriate corporate governance structure to ensure the creation and protection of member value. This requires that appropriate accountability and control systems are in place.

This Board Charter explains TFSL’s commitment to governance. It is not an all-inclusive document and should be read as an expression of principle. The Board will review and update this Charter on an annual basis.

TFSL supports the principles of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (ASX Principles) as they apply to an organisation with the scope of operation and breadth of member interest of TFSL.

2. CONSTITUTION

TFSL’s Constitution is its key governance document. The Board must ensure that it and TFSL comply at all times with the provisions of the Constitution.

3. COMPLIANCE WITH LAWS

As a Not for Profit entity, TFSL will comply with all relevant regulatory bodies as well as all 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) legislation and regulations relating specifically to TFSL’s business; and
- (g) Trade Practices Act 1974.

4. BOARD COMPOSITION AND INDEPENDENCE

The Board shall comprise the number of Directors as specified in the Constitution. The Board shall comprise Directors with a broad range of expertise and a balance of skills, knowledge and experience. All Directors should be free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with the Director’s ability to act in the best interests of TFSL.

5. DUTIES AND RESPONSIBILITIES

The Board is responsible to members for the overall governance of TFSL including ensuring the continuity of the business and the long-term viability of the entity. Directors shall ensure that they devote sufficient time to properly perform their duties to the entity.

The Board responsibilities include:

- (a) setting the strategic direction of TFSL and monitoring the implementation of that strategy by the CEO and management team;
- (b) regularly involving themselves in constituent activities and informing themselves of the range of constituent views relating to the scope of TFSL's operations;
- (c) oversight of TFSL, including its control and accountability systems;
- (d) appointing and removing the CEO and overseeing senior management succession plans;
- (e) ratifying the appointment and removal of the TFSL Company Secretary and external auditor;
- (f) input to and final approval of corporate strategy;
- (g) input to and final approval of the annual business plan and budget;
- (h) approving and monitoring the progress of major capital expenditure, capital management and acquisitions/divestitures;
- (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, continuous disclosure, legal compliance and other significant corporate policies;
- (k) at least annually, reviewing the effectiveness of TFSL's implementation of its risk management system;
- (l) monitoring senior management's performance and implementation of strategy and policies, ensuring appropriate resources are available;
- (m) approving and monitoring financial and other reporting to members, employees and other stakeholders;
- (n) ensuring the entity's assets are safeguarded;
- (o) approving Board policy documents;
- (p) monitoring progress against the business plan and budget;
- (q) approving expenditure outside the approved budget and delegations, and
- (r) review the performance of Board Committees on an annual basis.

In discharging his / her duties, each Director must:

- (a) exercise care and diligence;

- (b) act in good faith in the best interests of TFSL;
- (c) undertake appropriate training, including an induction to the entity;
- (d) not improperly use his/her position or misuse information of TFSL; and
- (e) commit the time necessary to discharge effectively his/her role as a Director.

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

The Board shall have an evaluation of its performance annually to determine whether it is functioning effectively by reference to current best practice and regulatory obligations. This evaluation shall extend to the Board as a whole, individual Directors, Board Committees and individual Committee Members.

6. UNDERSTANDING THE BUSINESS

The Directors shall ensure that they understand the complexities of the industry in which TFSL operates together with the industry's structure, operations, controls, legal and regulatory obligations, current technology, types of transactions and political/economic environment in order to adequately assess the significant risks faced by the sector and TFSL.

7. BOARD MEETINGS

Board meetings shall be conducted in accordance with the entity's Constitution. 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) approve the annual audit plans and monitor progress;
- (d) monitor performance of operational plans including financial results;
- (e) confirm the effectiveness of risk management and compliance procedures and practices;
- (f) approve and ensure adherence to Board policies;
- (g) review CEO's performance and undertake an annual formal review; and
- (h) set remuneration for CEO.

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 approved by the Board and reviewed annually.

With the exception of certain limited delegations contained in their charters, recommendations of the Committees are to be referred to the Board for approval.

The Board can establish ad hoc Committees from time to time.

9. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Board and Committees must be provided with the information they need to efficiently discharge their responsibilities.

The Board will arrange for management to supply the Board and Committees with information in a form, timeframe and quality that enables them to effectively discharge their duties. .

Any Director may take such independent legal, financial or other advice as he/she considers necessary at TFSL's expense provided the advice sought is in writing, is directly relevant to TFSL affairs and the Chairman's consent is first requested and obtained. The consent of the Chairman will not be withheld unreasonably.

10. THE CHAIRMAN

The Chairman:

- (a) is to be an independent Director;
- (b) is not to exercise the role of Chief Executive Officer of the entity; and
- (c) is not to have previously held the position of Chief Executive Officer of the entity.

The Chairman 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 Directors including a mechanism for performance assessment
- (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 Chairman.

11. INDEPENDENCE OF DIRECTORS

A Director of the entity 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 entity, or an employee materially associated with the service provided;

- (b) is not a material supplier or customer of the entity, or an officer of or otherwise associated directly or indirectly with, a material supplier or customer;
- (c) has no material contractual relationship with the entity other than as a Director; 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 Director's ability to act in the best interests of the entity.

TFSL considers that length of service on the Board does not affect a Director's ability to act in the best interests of the members and the organisation. Members elect Directors to the Board to act on their behalf in accordance with the Constitution. The above guidelines must be applied with common sense. Directors are best able to determine if they have an interest or relationship which is likely to impact on their independence. As such, each Director is expected to advise the Chairman immediately if he/she believes they may no longer be independent. Should the Chairman or any other Director have any concern about the independence of a Director, he/she must immediately raise the issue with that Director and, if the issue is not resolved, with the Board.

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

12. DEED OF INDEMNITY AND ACCESS

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

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

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

13. RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER (CEO)

The CEO is responsible for the day-to-day management of TFSL 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.

The CEO must have a formal employment agreement describing his/her term of office, duties, rights and responsibilities and entitlements on termination.

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:

- ◆ TFSL's financial reports present a true and fair view, in all material respects, of TFSL's financial condition and operational results and are in accordance with relevant accounting standards;

- ◆ 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
- ◆ TFSL's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

14. THE ENTITY CODE OF CONDUCT

The Board has adopted, and from time to time amends, the Code of Conduct. This is a formal Code of Conduct to be observed by all Directors and officers.

The Code of Conduct governs the operations of the entity and deals with compliance in the following areas of conduct:

- (a) compliance with laws and regulations;
- (b) political dealings;
- (c) unacceptable payments and gifts;
- (d) proper accounting;
- (e) use of inside information; and
- (f) insider trading.

15. 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.

16. EXTERNAL AUDITOR

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

17. INTERNAL AUDITOR

The internal auditor may be requested to attend the annual general meeting of the entity and must be available to answer questions about the internal audit, the internal control framework and risk management systems.

UPDATE SHEET

| Date | Version | Page No. | Details of Change |
|-------------|----------------|-----------------|--|
| 16/06/09 | 1 | 7 | Addition of Internal Auditor clause |
| 16/06/09 | 1 | 6 | Addition to 10(d) including a mechanism for performance assessment |
| 10/09/09 | 2 | 2, 3 & 4 | Variation of wording to clauses 3, 4 & 6 |
| 17/11/09 | 2 | All | Update of policy wording by IA |