.

Guidelines for Board Operation

(28 September 2018)

Spicers Limited ABN 70 005 146 350

SPICERS LIMITED

GUIDELINES FOR BOARD OPERATION

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Spicers

SPICERS LIMITED BOARD – CODE OF ETHICS

The Directors of Spicers Limited recognise that there are certain fundamental ethical values that underpin their participation as members of the Board and its Committees. Directors are therefore expected to:-

- Be committed to the highest standards of integrity.
- Be honest and open with each other at all times.
- Ensure, to the maximum extent possible, that they do not engage in any other activities that may lead to a conflict of interest with their duties to the company.
- Work cooperatively among themselves and with management in the best interests of the company.
- Recognise the separate roles and responsibilities of the Board and management.
- Develop an understanding of the businesses of the company.
- Be diligent and continuously strive to improve the Board's operation.
- Observe the spirit and the letter of the law in all countries in which the company operates.
- Have an active concern for the well-being of the community and the environment in all countries in which the company operates.
- Avoid any behaviour that is likely to reflect badly on the Board and the company.

SPICERS LIMITED

GUIDELINES FOR BOARD OPERATION

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1. PREAMBLE

The Board of Spicers Limited has determined the Guidelines which should operate in relation to the operation, structure and composition of the Board and its Committees.

The Guidelines are set out in attachment 1 to this writing.

Also attached is the Charter for the Audit & Risk Committee (attachment 2), the policy regarding trading in company shares (attachment 3) and an outline of Corporate Governance Board Practices (attachment 4).

2. COMMENTS ON GUIDELINES

2.1 Composition of the Board:

2.1.1 Attachment 1 sets out guidelines governing the composition of the Board. The Constitution requires that the Board be comprised of a maximum of 10 Directors and the Guidelines provide caveats as to the number of executive directors.

2.1.2 The present composition of the Board is as follows:

Non-Executive Directors

Mr Jonathan Trollip – Chairman
Mr Vlad Artamonov
Mr Gabriel (Gaby) Berger
Mr Nigel Burgess
Mr Todd Plutsky
Mr Andrew (Andy) Preece

2.1.3 The Board is currently comprised of 6 Directors.

2.1.4 The Joint Company Secretaries (Mr Michael Clark and Mr Damien Power) are directly accountable to the Board, via the Chairman, on all matters connected with the proper functioning of the Board.

2.2 Board Members Retirement:

2.2.1 Item 6.2 of Attachment 1 provides that the Board has adopted a policy that Directors retire permanently and not to be eligible for re-election after a tenure of 11 years or after their 70th Birthday whichever occurs first.

2.2.2 Relevant dates are as follows:

Director	**Date initially appointed to The Board**
Mr Jonathan Trollip	6/09/2017
Mr Vlad Artamonov	6/09/2017
Mr Gabriel Berger	6/09/2017 *
Mr Nigel Burgess	6/09/2017
Mr Todd Plutsky	6/09/2017
Mr Andrew Preece	6/09/2017

* age limit waived.

2.3 Chairman:

Section 2 of Attachment 1 sets out certain guidelines regarding the Chairman. Paragraph 2.2 provides for either the appointment of a Deputy Chairman or the nomination of a person who could act as Chairman when required.

2.4 Audit & Risk Committee:

2.4.1 The Charter of the Audit & Risk Committee is set out in Attachment 2.

2.4.2 The composition of the Audit & Risk Committee is currently:

Chairman	:	Mr Nigel Burgess
Members	:	Mr Andrew Preece
		Mr Vlad Artamonov

2.5 Sale and Purchase of Spicers Shares by Directors:

Attachment 3 sets out the Board's guidelines covering the sale or purchase of Spicers shares by Directors. The same guidelines apply to senior staff members and others who have access to sensitive company information. Directors are required to comply with the Transacting in Company's Securities Policy at all times.

2.6 Corporate Governance Board Practices:

The Board has approved, and works towards over a period of time the Corporate Governance Board Practices set out in Attachment 4.

These should be viewed in conjunction with the Company's "Corporate Governance Statement", available at:
www.spicerslimited.com.au/corporate-governance/corporate-governance.htm
And also attached to the ASX release "Appendix 4G and Corporate Governance Statement 2018", filed at the same time as the Company's Annual Report.

3. CONCLUSION

3.1 Guidelines:

The guidelines represent aims that we work towards over a period of time, and it is recognised that there may not be total conformance to them at any one time.

3.2 Committees:

Section 4 of Attachment 1 provides that the Board will keep under review the question of additional Board Committees, which should only be constituted if they assist the overall operation of the Company. The establishment of a further committee or committees is a matter for consideration by the Board. Where practicable, membership of Board Committees should be rotated every three years and reviewed on an ongoing basis.

3.3 Corporate Governance:

The Directors recognise the importance of good corporate governance in ensuring Board and Management accountability. The Company is committed to applying the Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council, in a manner appropriate to its circumstances, to promote ethical conduct and integrity in the Company's activities and decisions.

The Company will continue to substantially follow the ASX Corporate Governance Council's Principles and Recommendations, with any departures approved by the Board and disclosed on an "if not why not" basis as required by the ASX.

SPICERS LIMITED

GUIDELINES COVERING BOARD OPERATION

1. COMPOSITION

1.1 The maximum number of directors is currently set in Rule 3.1(a) of the Constitution at ten (10).

1.2 There should be a substantial majority of non-Executive Directors over Executive Directors.

1.3 Specifically the objective is, over a period of time, to maintain a composition including no more than two (2) Executive Directors.

1.4 Executive Directors will not normally be appointed non-Executive Directors on their retirement as executives of the Company.

1.5 The appointed Company Secretary is directly accountable to the Board, via the Chairman, on all matters connected with the proper functioning of the Board.

2. CHAIRMAN

2.1 The Chairman of the Board should not be the Chief Executive Officer (**CEO**) of the Company.

2.2 The Board of the day decides whether or not there shall be a Deputy Chairman. In the absence of a Deputy Chairman, the Board will nominate a Director to act in the absence of the Chairman.

3. MEMBERSHIP/ATTENDANCE

3.1 Were a vacancy to exist or if it were considered that the Board would benefit from the services of a new Director, the Board would seek to identify the qualities and competencies required to enable the Board to fulfil its responsibilities and recommend candidates with the appropriate expertise and experience.

3.2 Board practice is for senior Company executives, nominated by the CEO, to attend Board meetings.

4. COMMITTEES

The Board will keep the question of Board Committees under review but in general any additional committee or committees should only be constituted if they assist the overall operation of the Company.

The current Board Committee is:

- Audit & Risk Committee

5. PROCESS FOR EVALUATING THE PERFORMANCE OF THE BOARD, ITS COMMITTEE AND INDIVIDUAL DIRECTORS

5.1 The Board institutes processes to monitor Board performance individually and collectively and reports the outcome to the Board. The general management and oversight of the processes together with development of appropriate Board member performance assessment measures will be the ultimate responsibility of the Chairman.

5.2 Annually, the Chairman will facilitate a review of Board and Directors' performances. The Chairman will determine the manner and extent of the review and report on the outcome of the review at the subsequent Board Meeting. Unless otherwise determined the Audit & Risk Committee Chairman will review the performance of the Chairman in the same manner.

5.3 Periodically, each Director will be required to complete a questionnaire, assessing the Board, procedures and practices, and working relationships between themselves and management. Completed questionnaires will be summarised by the Company Secretary for the Chairman who may, discuss the responses with individual directors as necessary. The Chairman will present the outcome of the review at a Board meeting.

5.4 Possible use of an external facilitator to conduct a more extensive review of the Board's performance may also be considered.

5.5 The Chairman may also hold individual discussions with relevant senior managers to ascertain their views on Board and Board Committee performance.

5.6 The review of Board Committee performance is to be coordinated by the relevant Committee Chairman. The assessment process should be in a similar manner to the Board.

5.7 The performance of the CEO is reviewed on an annual basis and is usually done by the Chairman. Performance is measured against specific targets as the CEO is entitled to other rewards and given a remuneration package, which is not available to non-executive directors. In order for the review of the CEO's performance to be carried out fairly and objectively it is to be based on criteria approved by the Board and the CEO. Prior to carrying out the review, the Chairman may obtain feedback from non-executive directors.

5.8 Feedback from major shareholders on the Board's or individual Directors' performance may be considered by the Board in their succession planning.

5.9 This process may be adapted to reflect the Company's current circumstances

6. BOARD MEMBERS' TENURE OF OFFICE

6.1 A non-Executive Director (including the Chairman) who reaches their 70th birthday between the date of the notice calling an Annual General Meeting and the date of that meeting will retire at the end of the Annual General Meeting.

6.2 The Board has adopted a policy that, except where waived by the Board, Directors will retire permanently and not be eligible for re-election after a tenure of 11 years or their 70th Birthday, whichever occurs first.

6.3 An Executive Director must retire on the date on which he or she ceases to be an employee of the Company.

7. POLICY AND PROCEDURES ON NOMINATION, SELECTION AND APPOINTMENT OF NEW DIRECTORS

7.1 Where a vacancy exists or if the Board considers that it would benefit from the services of a new Director, the Board will identify and decide upon the appropriate qualities, expertise, diversity, experience and competencies that would be appropriate for a new Director.

7.2 In order to determine whether there is a need for another Director, the Board will consider relevant factors which may include the size and composition of the Board, relevant internal guidelines and legislative requirements in relation to board composition, the Company's strategic goals and having an appropriate balance and diversity of specialist skills, age, gender, and board, industry and geographic experiences.

7.3 Once the specifications of the potential candidate are determined a process for identifying suitable candidates will be conducted. Board members may recommend suitable candidates. If required, professional recruiters may be engaged to undertake the search.

7.4 Factors to be considered in identifying potential candidates may include among other things, relevant skills and expertise, capacity to devote the necessary time and commitment to the role, potential conflicts of interests and independence.

7.5 The Board will review and short list potential candidates. The Chairman or one or more Directors will approach potential candidates and report back to the Board on their discussions.

7.6 Upon reaching agreement on a candidate they may be invited to meet the other Directors, the CEO and Chief Financial Officer (**CFO**) as appropriate. This is an opportunity for the candidate to ask questions about the Company, Board and management and vice versa.

7.7 Background checks will be undertaken on any preferred candidates prior to their appointment. These may consist of, but are not limited to, checking of candidate 'reference(s)', Directors' registers and databases, and other known sources of information on the candidate. These background checking processes do not apply to any Executive Director candidates that are existing employees of the Company.

7.8 A decision on the appointment will be made by the Board and communicated to the candidate through the Chairman. If the appointment is accepted by the candidate, the Secretary is to attend to the procedural matters for appointment of a new Director.

7.9 Subject to the Company's Constitution, legislation and ASX Listing Rules, the Board's internal guidelines state that Non-Executive Directors will ordinarily be appointed and hold office for a maximum term of eleven years.

7.10 This policy and procedures may be adapted to reflect the Company's current circumstances.

8. PROCEDURE ON ELECTION AND RE-ELECTION OF DIRECTORS AT ANNUAL GENERAL MEETING

8.1 In summary, the Company's Constitution states that:

(a) A Director appointed by the Board during the year must retire at the next AGM and is eligible for election.
(b) The number of Directors to be taken into account in determining who are to retire by rotation at the AGM does not include director(s) in item (a).
(c) A Director must retire from office (and be eligible for re-election) at least every 3 years (i.e. at the third AGM after which the Director was elected or re-elected).
(d) The Directors to retire are the directors longest in office since last being elected or re-elected.
(e) If two or more Directors have been in office for the same period, those Directors may agree which of them will retire. If they do not agree, they must draw lots to decide which of them must retire.

(f) An election of Directors must be held at each AGM. If no election of Directors is scheduled to occur at an AGM, then at least one Director must retire from office (and be eligible for re-election) at the AGM.

(g) These rules on retirement (and re-election) of Directors do not apply to the CEO.

8.2 In addition, the ASX Listing Rules requires an election of Directors to be held each year. Therefore, it is possible that a Director may be up for re-election more than once in the span of three years.

8.3 When nominating for election or re-election, a Director may provide a verbal and/or written statement to the Board setting out their reasons for seeking election or re-election. These reasons, together with the Director's biographical details and other particulars supporting their election or re-election, may be included in the explanatory note of the AGM Notice.

8.4 The Board may form a view whether it does or does not support the election or re-election of each Director and this view should be included in the AGM Notice. Relevant factors to be considered when forming this view may include:

- Attendance and contribution at meetings/discussions;
- Relevant skills and expertise;
- Relationship with other directors and senior management; and
- Other commitments.

9. DIRECTOR'S DEED OF APPOINTMENT AND INDUCTION

9.1 Each non-Executive Director will be provided with a Letter of Appointment, which sets out information about the Board. They will also be required to enter into a Deed of Appointment with the Company.

9.2 Each Executive Director will be provided with a Letter of Appointment or Employment contract and a Deed of Appointment with the Company.

9.3 The Deed of Appointment is in standard terms which have been approved by the Board and implements provisions with respect to:

- Right of access to Board papers;
- Indemnification of the Director;
- Obligations of the Director;
- Insurance of the Director;
- Other directorships;
- Disclosure;
- Right to obtain independent professional advice; and
- Dealing in the Company's shares.

9.4 An induction process and materials will be offered to new Directors, focused on providing the new Director with an introduction to the Company's strategy and business, as well as incorporating more detailed information in relation to Board Committees and areas that the Director will be particularly involved in.

10. INDEPENDENCE OF DIRECTORS

10.1 Each Director is required to apply independent judgement, free from the influence of management, to their decision making and actions. To enable Directors to properly perform their duties, Directors have the right to seek independent professional advice at the Company's expense after consulting the Chairman.

10.2 The Board assesses the independence of Directors on a regular basis (at least annually) and as changes in Directors' interests occur.

10.3 Generally, a Director is considered to be independent if the Director:

- Is not a substantial security holder (being a person holding five percent or more of the Company's voting stock), or an officer of (or otherwise associated directly with) a substantial security holder;
- Has not been employed in an executive capacity by the Company, or there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Has not (including within the past three years) been a partner, director or senior employee of a provider of material professional services to the Company and/or its subsidiaries;
- Has not (including within the past three years) been in a material business relationship with the Company and/or its subsidiaries, or an officer of (or otherwise associated directly with) someone with such a relationship;
- Has no material contractual relationship with the Company and/or its subsidiaries other than as a Director;
- Has no close family ties with any person who falls within any of the categories described above; and
- Has not been a Director for such a period that their independence may have been compromised.

10.4 The Board acknowledges the ASX Recommendation that a majority of the Board should be independent Directors. At the date of these guidelines, the Board comprises two independent Directors, including the Chairman of the Company, and four non-independent Directors. Nigel Burgess, Vlad Artamonov and Todd Plutsky are not regarded as independent within the framework of the independence guidelines set out above given they are officers of substantial securityholders. Andy Preece is not regarded as independent due to his former position as Managing Director and CEO of the Company and the period between his leaving this position and serving as a Director being less than three years.

Whilst the majority of the Directors are not independent, the Board considers that the interests of those Directors associated with substantial shareholders are aligned with the interests of all Company shareholders. In relation to Andy Preece, the Board considers that the Company derives significant benefit from his particular skills and industry-specific experience.

The Company's Non-executive Directors that are considered to be independent by the Board are Jonathan Trollip and Gaby Berger. These Directors are considered to have no business or other relationships that could compromise their independence.

10.5 Directors are required to inform the Board of any material interests that could potentially conflict with those of the Company. If a material conflict of interest should arise any relevant Director may not participate in Boardroom discussions or vote on the matter unless the Board resolves otherwise. If a material conflict of interest should arise and the Board is unable to properly deal with the matter because of insufficient quorum or for other legal reasons, it will bring the matter to security holders for approval.

11. CHANGES TO THESE GUIDELINES

11.1 No changes to these guidelines should be made without the approval of a substantial majority of the Board of Directors.

11.2 These guidelines will be reviewed whenever the need arises by the Board of Directors.

SPICERS LIMITED

AUDIT & RISK COMMITTEE

CHARTER

OBJECTIVES

To assist the Board to fulfil its responsibilities in relation to the matters set out below:

- The reliability and appropriateness of reporting of financial information to users of the Company's financial reports, including adequacy of disclosures and application of accounting policies;
- The relationship with the external auditors;
- Oversight of an effective risk management programme, including compliance, internal controls and assurance; and
- The adequacy of the insurance programme.

1. COMPOSITION

Chairman:	Mr Nigel Burgess
Non-Executive Directors:	Mr Andrew (Andy) Preece Mr Vlad Artamonov
Secretary	Mr Michael Clark

A majority of the Committee members should be independent non-Executive Directors and the Committee should not be chaired by Board Chairman.

2. TERMS OF REFERENCE

2.1 **Duties / Scope** - The Committee is to:

In relation to the Company's accounts and financial reporting

2.1.1 Review the half year and annual accounts with management and the external auditors and report thereon to the Board as appropriate prior to their external release.

2.1.2 Review significant accounting standards and policy changes and where appropriate recommend them to the Board.

2.1.3 Monitor and report to the Board on the framework, adequacy and security of internal control and accounting and financial management systems.

2.1.4 Monitor and report to the Board on taxation management and compliance.

in relation to the Company's external auditors

2.1.5 Annually review the procedures associated with the selection of and recommendations for, appointment/removal of the external auditor and for rotation of audit partners.

2.1.6 Annually review and recommend to the Board, the scope of audit programmes, the terms of engagement of the external auditors and the audit fees and non-audit services.

2.1.7 Annually review the performance and independence of the external auditors and obtain certification regarding the same to the satisfaction of the Committee.

2.1.8 Ensure adequate audit coverage for all major financial risks of the business and report to the Board on any issues arising from this coverage on a timely basis.

2.1.9 Review reports on significant items from the external auditors and report thereon to the Board as appropriate.

2.1.10 Ensure management responds promptly to the recommendations made by external auditors.

2.1.11 Review any disagreements between management and the external auditors on financial reporting.

in relation to the Company's risk management and compliance systems:

2.1.12 Oversee and monitor the Company's risk management framework and system.

2.1.13 Review (at least annually) the Company's Risk Assessment program and its effectiveness.

2.1.14 Monitor compliance with covenants, pledges and other obligations in Funding Documentation.

2.1.15 Review all significant new Spicers Group commercial policies and review the compliance reporting of commercial policies and procedures.

2.1.16 Review major non-financial regulatory matters on a quarterly basis through the use of a compliance monitoring reporting regime which covers the following areas of exposure:

- Asset protection (including Insurance);
- Trade practices;
- Commercial laws affecting the group; and
- Litigation.

2.1.17 Reviewing the basis of the CEO and CFO's written statements as to the effective operation of Spicers Group's risk management and internal control systems in relation to financial reporting risks.

in relation to the risk and internal controls activities

2.1.18 Review 'Risk and Internal Controls Activities Reports' received from the Group Finance & Governance Manager.

in relation to insurance

2.1.19 Review and recommend to the Board, the scope, cover and cost of the insurance program taken out for the Spicers Group.

in relation to other matters

2.1.20 Conduct an annual self-assessment of the Committee's performance and priorities and review of the Charter.

3. MEETINGS

The Committee shall meet at least four times each year where February and August will focus predominantly on the half-yearly and yearly accounts. Other meetings will have strong emphasis on non-financial compliance issues.

The CEO, CFO, Company Secretary, other relevant Executive Management, and the External Auditor are to attend ordinary meetings by invitation.

4. QUORUM

Two members of the Committee shall form a quorum.

5. CALLING OF MEETINGS

Meetings shall be called by the Secretary as directed by the Board or any individual Director or at the request of the Chairman of the Committee.

6. MINUTES

Minutes of meetings of the Committee shall be kept by the Secretary and after confirmation by the Committee be presented at the next Board Meeting.

AUDITOR INDEPENDENCE & ENGAGEMENT OF AUDITORS FOR NON-AUDIT WORK

The Company's auditors must be independent pursuant to the *Corporations Act 2001* and ASX Corporate Governance Guidelines. The auditors' independence is reviewed by reference to the Act and Guidelines and standards agreed between the Company and the auditors which include the following:

- rotation of the senior audit partner every five years;
- annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence;
- half yearly reporting on the levels of audit and non-audit fees; and
- Any non-audit work performed by the company's external auditor must be carried out in accordance with the guidelines set out in Appendix A.

Appendix A

The following authority levels for non-audit work undertaken by the Company's external auditor have been established by the Spicers Board. Prior written approval must be gained before any work commences. Non-audit work estimated at costing:

- up to $50,000 – approved jointly by the Chief Executive Officer and the Chief Financial Officer. Such work will be advised to the Committee as part of the preparation of the half and full year financial statements; and
- $50,000 and above - approved by the Audit and Risk Committee and advised to the Board.

All engagements of the Company's Auditor for non-audit work should be advised to the Audit & Risk Committee as part of the Chief Financial Officer's regular report to the Committee.

In no circumstances should non-audit work be commissioned from the Auditors that may conflict with their audit responsibilities. In particular the external auditor is not permitted to provide any of the following services, (unless prior Audit & Risk Committee approval is gained in exceptional circumstances):

- bookkeeping
- financial information systems, design and implementation
- appraisal or valuation services, fairness opinions or contribution-in-kind requests (including impairment testing of a significant asset or liability)
- actuarial services
- internal audit outsourcing services
- management functions or human resources
- secondment to management positions
- broker or dealer, investment adviser or investment banking services.
- legal services and expert services unrelated to audit
- taxation advice
- acquisition due diligence (except for transaction support)
- any other non-audit service that may conflict with the Auditor's audit responsibilities

Where an individual auditor or the audit firm engages in group audit requirements or local statutory audit requirements and a potential or actual conflict of interest situation arises, exists or occurs, the individual auditor or the audit firm is to take all reasonable steps to ensure that the conflict of interest situation ceases to exist or is discontinued as soon as possible.

SPICERS LIMITED

SALE AND PURCHASE OF COMPANY SHARES BY DIRECTORS

1. Directors should neither buy nor sell shares at any time when they possess information concerning the Company which if disclosed publicly could affect the market price of the Company's shares nor should they "deal" or "trade" in the Company's shares otherwise than as provided for in this memorandum.

2. When a share issue is made to Spicers shareholders:

   (a) Directors may in whole or part exercise their option to take up, sell, renounce or let lapse their entitlements as shareholders.

   (b) Executive Directors may apply for an allocation from any shares that are made available to employees, subject to the limitations of the schemes and the provisions of the Corporations Act and the Listing Rules of the ASX.

3. There may be other instances when Directors may acquire shares, such as where the Company has introduced a dividend reinvestment plan or an issue of shares to Directors has been approved by the Board, subject to satisfaction of any relevant ASX Listing Rules and Spicers Transacting in Company Securities policy.

4. Apart from the foregoing, Directors are not permitted to buy, sell or otherwise trade or deal in the Company's securities during specified blackout periods, being

   (a) 1 June until the day following the announcement of the full year results;
   (b) 1 month prior to announcement of the half year results; and
   (c) any other periods advised by the Board.

   There would be occasions when it is not proper for Directors to buy, sell or otherwise trade or deal in the Company's securities even though it is outside the blackout periods because of their knowledge of impending developments.

5. Directors who wish to sell or purchase the Company's shares should advise the Chairman of their intention in advance of the sale or purchase.

6. Directors should be mindful of the foregoing provisions when considering dealing in securities of listed associated companies of Spicers and/or securities of other companies with which Spicers may have potential relationships. Security dealings of this nature normally would be the subject of declaration of interest by the Director concerned.

7. Directors must immediately notify the Company Secretary of any change in their shareholding so that the Company can lodge notice of the change with the ASX pursuant to Listing Rules.

The Company Secretary has been authorised by directors individually to lodge Appendix 3Y notices with the ASX on their behalf, and will do so automatically when notified of changes in holdings.

Notes:

(i) The above is to be read in conjunction with the Company's Transacting in Company's Securities Policy.

(ii) These regulations should be treated as extending to persons acting for or who can readily be identified with Directors - such as husbands, wives, children, family trusts and family companies.

(iii) "Buy and purchase" and "sell and sale" (and similar expressions) in the context of this memorandum include the acquisition and disposition (as the case may be) of beneficial and/or legal ownership. For example:

- A sale by, or purchase from, a Director would involve a disposition or an acquisition (as the case requires) of both legal and beneficial ownership.

- A transfer of a Director's shareholding from their name on the share register to a person or company to hold as trustee for the Director would involve a transfer of legal ownership but not beneficial ownership.

- A transfer of a Director's shareholding from their name on the share register to a nominee company to provide security for a loan would involve a transfer of legal ownership to the nominee company with the Director retaining beneficial ownership so long as he is not in default under the loan arrangements.

(iv) The same guidelines apply to senior staff members and others who have access to sensitive company information.

(v) The Company has an internal procedure to track dealings by directors in the company's shares. However this does not absolve Directors from themselves notifying the Company as and when they have or intend to deal in the Company's shares.

SPICERS LIMITED

CORPORATE GOVERNANCE BOARD PRACTICES

A. INTRODUCTION

This attachment outlines the general Corporate Governance practices under which the Company and Board is to operate.

These practices have been prepared recognising the following broad principles which have been adopted by the Board:

- **Board of Directors**

  The Board of Directors has the overall responsibility for the corporate governance of the Company, including its strategic direction, the review of the plans established by the management team and the monitoring of performance against those plans.

- **Annual Review of Board Procedures**

  The Board conducts formal annual reviews of the internal guidelines relating to corporate governance, Board membership and operation and committee structures. This process ensures that Spicers's Board procedures are continually reviewed and the highest standards of Board performance are maintained.

- **Committees of the Board**

  To assist in the execution of its corporate governance responsibilities, the Board has established one Committee - the Audit & Risk Committee. Requirements for Board Committee is reviewed regularly. The Committee operates principally in a review or advisory capacity, except in cases where powers are expressly conferred on or delegated to a committee by the Board.

B. THE BOARD

The following represents aims that the Board will work towards over a period of time and it is recognised that there may not be total conformance to them at any one time.

1. **Board operation:**

The Guidelines for Board Operation has been set out earlier.

2. **Board Committees:**

(a) Attachment 2 sets out the Charter and current membership of the Audit & Risk Committee.

(b) Membership of Board Committees will be reviewed annually and where practical will be rotated regularly.

(c) Additional Committees will only be constituted if they will assist the overall operation of the Board.

3. **Board Proceedings:**

(a) The Board will meet at appropriate intervals at least 6 times each year and additionally when and as often as required to enable it to fulfil its responsibilities.

(b) The Board will periodically visit the major Company businesses and sites both in Australia and overseas.

(c) The overall management of business of the Board meetings is the responsibility of the Chairman in consultation with the CEO, CFO and Company Secretary.

(d) The Chairman is responsible for ensuring that at each meeting the business of the meeting is properly dealt with and the Directors have the opportunity to carry out their own responsibilities.

(e) Both Non-Executive and Executive Directors have the same rights and responsibilities in their capacities as Directors, and the Board must act as a whole when it is acting as a Board. However, the Board's responsibility to make judgments about the performance of management necessarily gives rise to a potential for conflict of interest. To that extent there is a difference between the roles of Non-Executive and Executive Directors.

To enable the Non-Executive Directors to carry out their particular role in this regard, they should meet separately from the Executive Directors from time to time. These meetings are not meetings of the Board and cannot make decisions. The substance of any discussions at these meetings should be reported by the Chairman to the CEO if the latter is not present.

(f) The CEO will at each meeting report to the Board upon all matters and raise for discussion all issues of which, in carrying out their roles, the Directors should be aware and on which they should be entitled to express a view. As well the Directors should be made aware of matters which are likely to come into the public arena and of matters of material concern which may adversely or favourably affect the business or the Company.

(g) The business of the Board over the year should include:

(i) Consideration and approval of plans and budgets, and forward strategic plans and estimates for all the businesses of the Company;

(ii) Consideration and approval of proposed variations of a material nature to approved plans and budgets;

(iii) Receiving and considering monthly reports from the CEO and CFO covering financial performance against budget and reasons for material variations and trends;

(iv) Regularly receiving and considering reports from the CEO and other Executives covering all material aspects of the Company's business and operations, including key areas of risk and importance.

(h) In their interaction at Board meetings and elsewhere, Directors must recognise that it is not their role to direct the day to day management of the business. However management must recognise that the Directors have the right to information they seek and that they have the right to receive answers to the questions they ask.

(i) Each Executive Director and Executive General Manager is responsible for informing the Board, through the Chairman or the Chairman of the Audit & Risk Committee, of any matter which has come to their attention and of which other Directors should, but may not otherwise, be aware.

C. GENERAL PRINCIPLES CONCERNING MANAGEMENT

1. The Board should not itself manage the business, as this is delegated to the CEO and his/her Management team. However, the Board must put in place procedures and structures so that it is able to discharge its role of bearing ultimate responsibility.

2. The Board must set the framework within which the Company and its business units (including subsidiary companies) operate and, to an appropriate degree, oversee and supervise their operations. It must also respect the duties and responsibilities that directors of subsidiary companies have to those companies.

3. As well as having the ultimate responsibility for the operations of the Company and the interests of its shareholders, the Board must be aware of and have due respect to the obligations of the Company and its subsidiaries to other stakeholders, either as a matter of general law or as a result of particular regulations relating to particular businesses. In addition certain specific statutory obligations are imposed on Directors.

4. The Board must:

   - Be satisfied with management's plans for carrying on and developing the business;

- Ensure that management will seek authority to undertake material changes to those agreed plans;

- Place limits on the extent to which to which management can commit resources or dispose of assets or raise funds without specific approval;

- Ensure that it is kept well informed of progress and events which might significantly affect the business;

- Monitor, so far as it reasonably can, the performance of those senior members of management on whom it is relying for the proper management of the business and its key component parts; and

- Be aware of any significant risks to employees, company standing, profit and assets and endorse management's action plans to mitigate such risks.

5. The formal delegation of management authority is to the CEO, and he will be the prime source of information to the Board. Directors have the right to seek information from and question him. However, as Directors have the right of access to all information they might seek throughout the Company, they need to be able to question and discuss relevant issues with others as well, in appropriate ways and at appropriate times.

   A major role of the Board is to be the body to which Management is answerable. Subject to the oversight of the Board, it is for the CEO, acting within his delegated authority, to determine how he conducts the management of the Company.

6. The Non-Executive members of the Board will not normally be the statutory directors of subsidiary companies in the Group. However, subject to its legal duties, the board of a subsidiary may, through management, obtain the views of the Board on relevant matters.

D. <u>MATTERS RESERVED FOR THE BOARD</u>

The following matters require Board action and are not within the authority delegated to the CEO. There are other matters which by law or regulation or under the Company's Constitution or as recommended by the ASX Corporate Governance Council or under Board Committee charters must be dealt with by the Board.

Matters that are reserved for the Board and are not within the authority delegated to the CEO include:

Appointment and remuneration of the CEO and approval of policies relating to any sub-delegations by him/her;

(a) Appointment and remuneration of the CEO and approval of policies relating to any sub-delegations by him/her;
(b) All matters relating to the issue of securities of the Company;
(c) Adoption of annual business plans and budgets and approval of longer-term strategic plans for the Company and all business units;
(d) Appointment and remuneration of members of the Board;

(e) Approval of Directors' Reports and financial statements for release to the ASX and security holders;

(f) Approval of the Annual Report, including the Directors' Report and Corporate Governance Statement, Annual General Meeting notice and any other General Meeting notices;

(g) Approval of ASX Releases (these require approval by the Chairman, who will liaise with the Board as necessary);

(h) Declaration of dividends and distributions to security holders;

(i) Approval of appointment of the CFO and confirmation of the appointment of other executives who report directly to the CEO, including approval of the terms of appointment and remuneration of those executives;

(k) Approval, oversight, and review of:
- audit functions and their performance, including the appointment of Internal and External Auditors;
- control and corporate governance functions and their performance;
- human resources and remuneration policies and performance; and
- other key Group policies;

(k) Approval, oversight and review of the Company's risk management framework and programme;

(l) Approving any significant donations proposed by the CEO;

(m) Acquisition and disposal of businesses, land & buildings, and other significant capital items;

(n) Approval of any goodwill impairments and any other significant asset impairments;

(o) Approval of external borrowings and commitments, and policies over key treasury activities, as agreed with the CEO and CFO;

(p) Approval of significant projects and restructuring activities;

(m) Major external borrowings and commitments, and establishing rules for the administration of key treasury activities, as agreed with the CFO;

(n) Approval of parent guarantees and any other significant guarantees given to third parties and subsidiaries; and

(o) Significant legal matters.