

Encircle Community Services Community Services Limited Board Charter

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1. Introduction

This Board Charter sets out the functions and responsibilities of the Board of directors (the Board) and of the management of Encircle Community Services Limited (Encircle).

Encircle is a company limited by guarantee and is registered under the auspices of the Australian Charities and Not-for-profits Commission (ACNC).

If there is any conflict between this Charter and the Constitution, the Constitution prevails.

The stated objects of the company are to operate as a charity for the benefit of individuals, families and communities, targeting the most disadvantaged by:

- Fostering cooperation between persons, groups and organisations in relation to community wellbeing.
- Promoting and assisting the development and implementation of community services engaged in the relief of poverty, homelessness, distress or disadvantage.
- Coordinating and supporting community development activities and advocating to governments and the community for adequate resources.
- Facilitating and participating in public forums and seminars on community issues.
- Encouraging community involvement and participating in meeting the objectives of the company.
- Undertaking other activities and functions which are incidental to the attainment of the objectives of the company.

2. Role of the Board

2.1 The Role of the Board

The direction and control of Encircle Community Services Limited, including its business and affairs, is vested in the Board as a whole. The Board's authority to govern the company comes via the Constitution, Article 21.2. Under the Constitution, the directors may delegate any of their powers to one or more committees of one or more directors.

The Board has the final responsibility for the successful operations of Encircle Community Services Limited. 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 the company. In carrying out its governance role, the main task of the Board is to set strategic direction of the company and drive the performance of the CEO and Senior Management Team. 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 such as ACNC.

2.2 The Board and Management

The Board's role is to govern Encircle rather than to manage it. In governing the company, the directors act in the best interests of Encircle 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, it is misleading to refer to the management function of the Board.

Without intending to limit this general role of the Board, its principal functions and responsibilities include the following:

- Providing leadership to the company by:
 - Guiding the development of an appropriate culture and values for the company through the establishment and review of the code 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:
 - Approving the overall process of strategic planning;
 - 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 and capital expenditure budgets; and
 - 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 members primarily through adopting an effective stakeholder communications policy, encouraging effective participation at general meetings and, through the Chairperson, being the key interface between the company and its members;
- 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 requirements 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 Chief Executive Officer (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 (CEO Assessment);
 - overseeing the development of the CEO;
 - removing the CEO, where necessary;
 - Ratifying the appointment, the terms and conditions of the appointment and, where appropriate, the removal of the Board Secretary and other senior managers, as determined by the Board;
 - Oversight of annual senior management performance reviews;
 - Ensuring that an appropriate succession plan for the CEO, Board 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;
 - 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.

2.3 Board Committees

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

The Board has created the following committees:

- the Executive Committee; and
- the Finance, Audit and Risk Management Committee.

All committees have a Terms of Reference, approved by the Board, defining its duties, reporting requirements and authority.

The Board will consider the need to create additional committees or retire committees should the need arise.

2.4 Delegations of Authority

The Board has reserved all powers for itself. Delegated authorities to management are set out in an instrument of delegation. Where a delegation is not specified in the instrument of delegations, the Board retains the authority and approval to act must be sought from the Board.

A complete list of delegations and authorities is held in the company's safe custody at Encircle Community Services Limited's head office.

3. Board Structure

3.1 Number of Directors

The Board must consist of not less than five directors with a maximum number decided by the Board.

3.2 Board Skills

In the opinion of the Board, all directors should bring specific skills, knowledge and experience that add value to the company.

3.3 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, among other things:

- Term of appointment;
- Expectations in connection with meetings and committees;
- Compliance with corporate governance policies including the code of conduct and conflict of interest policy;
- Outside directorships; and
- Indemnification and insurance.

All directors have access to company information, management (through the CEO) and the Board Secretary to enable them to carry out their responsibilities.

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

4. The Role of Individual Directors

4.1 Directors' General Roles

Encircle directors have ultimate responsibility for the overall successful operations of the company. 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, under s.181 *Corporations Act 2001* (Cth), a director must act in the best interests of the company.

4.2 Directors' Code of Conduct

In accordance with legal requirements and agreed ethical standards, Encircle directors:

- owe a fiduciary duty to the company as a whole;
- use the powers of the office for a 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 interests of the company;
- make reasonable enquiries to ensure that the company is operating efficiently, effectively 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 this Charter.

5. The Role of the Chairperson

The Chairperson's role is a key one within Encircle Community Services Limited. The Chairperson is considered the "lead" director and utilises his or her experience, skills and leadership abilities to facilitate the governance processes.

5.1 Appointment of Chairperson

In accordance with the Constitution, the Board appoints one of its number to be the Chairperson of the Board. A director may also be appointed as Vice-Chairperson.

The Board will determine the period for which the Chairperson will hold office.

The Chairperson 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.

6. The Role of the Board Secretary

The Board Secretary is accountable to the Board.

The Board Secretary facilitates the company's corporate governance processes and is responsible for the coordination of Board meetings, including agendas, Board actions status, Board papers and minutes, for communication with regulatory bodies, and for all statutory and other filings.

7. The Role of the CEO

The CEO is appointed by the Board and holds office until removal, resignation or retirement.

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 through the Chair.

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.

Subject to ratification by the Board, the CEO is responsible for appointing, changes to remuneration arrangements, performance targets, assessments of performance for, and termination of his or her direct reports.

8. Compliance, Risk Management and Internal Controls

8.1 Compliance

The Board is charged with overseeing, reviewing and ensuring the reliability and effectiveness of Encircle Community Services Limited'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 Finance, Audit and Risk Management Committee that is responsible for overseeing Encircle Community Services Limited'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 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.

8.2 Risk Management

Since risk management is a critical component of Encircle governance, the Board has established the Finance, Audit and Risk Management Committee to oversee and guide the detail of this topic. The CEO is charged with implementing appropriate risk management systems within Encircle Community Services Limited. Aspects of this process may be delegated.

The risk management system at Encircle is based on the Australian Standard, AS/NZS ISO 31000 Risk Management – Principles and Guidelines. The primary objectives of the system are to ensure:

- All major sources of potential opportunity for and harm to Encircle and employees (both existing and potential) are identified, analysed and treated appropriately.
- Business decisions throughout Encircle appropriately balance the risk and reward trade-off.
- Regulatory compliance and accuracy in reporting are achieved.
- The Board and management determine and monitor the risk profile of Encircle Community Services Limited.

The company undertakes an annual review of strategy and operations to update its risk profile in line with the risk appetite set by the Board in conjunction with management.

While the responsibility for risk lies with the Board, oversight of the processes to manage risk within the organisation is delegated to the Finance, Audit and Risk Management Committee.

8.3 Internal Controls

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

- External audit; and
- Review of the company's annual financial statements by the Audit and Risk Committee.

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

The CEO provides 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 efficiently and effectively in all material respects.

9. Board Meetings

The Board will normally meet at minimum 10 times and on other occasions as considered necessary.

The Chairperson may convene other meetings of the Board if, in the Chairperson's opinion, these meetings are necessary for the efficient performance of the organisation.

The Board will either meet at the company's headquarters located in Lawnton or it may opt to hold board meetings in other locations throughout the year. The Board can meet by videolink or telephone.

The meeting agenda and Board papers are provided to directors no less than five working days prior to a scheduled meeting.

Meetings are conducted to allow a full and frank exchange of views by the directors while at the same time ensuring that a positive board culture is maintained.

A full set of minutes is kept by the Board Secretary and circulated within 28 days after each meeting.

In order to provide an even distribution of work over each financial year, the Board has adopted a twelve month Board calendar, which includes all scheduled Board and committee meetings as well as major corporate and Board activities.

9.1 Disclosure of Interest

As required by the constitution of Encircle Community Services Limited, all directors have a legal obligation to disclose to the Board, any material personal interest which relates to the business of the company. When an issue arises at a Board meeting, relating to such an interest, the director will not attend the meeting while that matter is discussed and may not vote on such an issue, unless the non-conflicted directors pass a resolution that the director may either remain for the discussion but not vote or remain for the discussion and vote. The non-conflicted directors will only pass such a resolution when they are strongly of the view that the nature of the conflict does not inhibit the conflicted director from making a decision in the best interest of the company.

Directors have an obligation to disclose to the Board any other interest which the director believes is appropriate to disclose in order to ensure there is no actual or perceived conflict of interest. The company maintains a Register of Conflicts of Interest.

10. Board Evaluation

10.1 Board Evaluation

The Board recognises its responsibility to conduct regular evaluations of the performance of the Board and individual directors. There is an annual performance evaluation of the Board having regard to the requirements of this Charter and leading practice principles of good governance.

The Board engages an independent advisory firm with expertise in board assessment to facilitate the process at least once in every three to five years. The external review includes a

review of the performance of the Chairperson, individual directors and Board committees.

The processes are regularly reviewed to ensure they meet contemporary good practice guidelines for board and director assessment.

11. Remuneration

Under the Constitution Encircle must not pay fees to a director for acting as a director.

Directors are entitled to be:

- paid for work they do for the company, other than as a director provided the amount is no more than a reasonable fee for the work done; or
- be reimbursed for expenses properly incurred by the director in connection with the affairs of Encircle. The company must not pay fees to a director for acting as a director.

12. Director Induction and Development

New directors undergo a full induction into their role on the Board. The Board encourages directors to participate in training and professional development programs.

13. Review

This Charter will be reviewed annually or as required.

14. Publication of Charter

The latest version of this charter is made available on the company's website.