

## 1. INTRODUCTION AND PURPOSE OF THE BOARD CHARTER

The Victoria Racing Club Limited (VRC) is a public company limited by guarantee, incorporated and operating in Australia. The Club became a registered company under the *Corporations Act 2001* (Cth) (**Corporations Act**) on 10 April 2006 and was established for the key purposes of racing, events and entertainment. The governance framework of the VRC is determined by the VRC's constitution and corporations' law. In addition to the constitution, the VRC's commitment to strong governance is supported by this Board Charter and a Directors' Code of Conduct.

The purpose of the Board Charter is to document the VRC Board's policies and approach to effective governance and to clearly set out the roles, functions, responsibilities and authorities of the Board and management in setting the strategic direction of the VRC, managing the organisation and engaging with key stakeholders.

The VRC Board of Directors (**Board**) is ultimately responsible for the proper management, administration, and success of the VRC, in both the management of Flemington Racecourse and the conduct of the VRC's race meetings and other VRC activities. The VRC is also a contributor to the success of Victorian thoroughbred racing. In carrying out its responsibilities and powers, the Board will recognise its overriding responsibilities to discharge its duties in good faith and to act honestly and in the best interests of the VRC.

As the controlling body of the VRC, the Board recognises and acknowledges its obligations with respect to Flemington racecourse, to members and employees of the VRC, to the racing industry and to the community generally. The Board has a responsibility to ensure that the VRC discharges these obligations and conducts its activities in accordance with the highest ethical and professional standards, relevant laws and the Rules of Racing.

In addition to the Board Charter, the VRC has a Directors' Code of Conduct that provides guidance to Directors to assist them in carrying out their duties and responsibilities effectively and in accordance with the highest possible ethical and professional standards. It sets out the standard of conduct expected from all Directors, with the objective of ensuring that VRC inspires the utmost faith, confidence and support of all of its members, and of other participants and stakeholders in the racing industry.

## 2. OVERVIEW AND PURPOSE OF THE VRC

The VRC is a world-class racing and event venue with the vision of being the world leader in racing and experiences. The Club celebrates tradition while embracing a future driven by innovation. The VRC conducts the Melbourne Cup Carnival (**MCC**), a major international event that benefits the thoroughbred racing industry in Victoria and the Victorian economy through hospitality, tourism, events, gaming, and retail.

The VRC has many, varied stakeholders: its members, employees, industry bodies and participants, clients, partners, suppliers, licensees, government, community-based organisations and the public. As a significant commercial enterprise, the VRC draws on high-calibre skills from a range of industries and backgrounds at both board and management levels.

To maintain sustainability, the VRC acts for the benefit of its stakeholders over the long term. It has a strong commitment to equine welfare and takes a leadership role in the racing industry.



### 3. RESPONSIBILITIES AND FUNCTIONS

The Board's **key responsibilities** are to:

- act in the best interests of the VRC as a whole;
- observe their duties as Directors under the Corporations Act, common law, the VRC constitution and other relevant legislation;
- provide strategic direction for the VRC;
- appoint the VRC's Chief Executive (**CEO**) and provide effective oversight of the CEO's performance;
- have active oversight of the VRC's management of its financial affairs, material risks and legal responsibilities; and
- report to the VRC's members on the vision, strategy, operations and performance of the VRC.

The **key functions** of the Board include:

- ensuring a diverse, experienced, capable and effective Board, in line with the VRC constitution, with appropriate policies, procedures and accountabilities for the Board and its Committees;
- appointing the CEO, providing advice and support to the CEO, evaluating and managing the CEO's performance and incentives, and managing CEO succession;
- providing overarching strategic direction to guide the development of the long-term strategy and the annual strategic business plan, actively participating alongside management in the strategic planning process;
- adopting the annual strategic plan and annual budget;
- supporting, reviewing and monitoring the operational and financial performance of the VRC and ensuring clear financial and non-financial performance indicators are adopted, and are understood by the CEO and leadership team;
- through constructive engagement with senior management and key stakeholders, reviewing, adding-value to, approving and monitoring the VRC's purpose, core values and ethical framework;
- monitoring key financial and non-financial risk areas by ensuring the implementation of an effective risk management and internal control framework;
- upholding the VRC's social licence to operate, including taking positive steps to advance equine welfare, progressing the VRC's sustainability agenda and being informed and responsive to the external environment and cognisant of evolving community expectations;
- considering and agreeing on Committee and Management recommendations on key issues, including the MCC, equine welfare, VRC organisational structuring and resourcing, capital management, significant contracts and capital expenditure;
- evaluating Board processes and performance of the Board as a whole, as well as contributions by individual Directors, to ensure the Board's effectiveness in delivering good governance, including performance and conformance matters;
- ensuring there is transparent reporting and communications to the stakeholders on the Board's governance, stewardship and financial performance, including all legal and regulatory requirements;
- ensuring that there are strong working relationships with Racing Victoria (the industry regulator), including regular communication on major issues facing the Club as well as supporting the Club's relationships with key stakeholders including sponsors and corporate partners;



- promoting and upholding the VRC's values of integrity; innovation; excellence; collaboration.
- adopting clearly defined delegations of authority from the Board to the CEO and other VRC personnel, along with policies supporting appropriate delegations of authority;
- determining that the VRC has instituted adequate reporting systems and internal controls (both operational and financial), together with appropriate monitoring of the VRC's compliance with its obligations; and
- establishing and monitoring policies that will ensure that the VRC complies with the law and conforms with the highest standards of financial and ethical behaviour.

To enable Directors to discharge their fiduciary duties properly, it may be necessary for them to be provided with expert advice at the VRC's expense. Such advice should be as objective and independent as possible, and may

be obtained at the VRC's expense only with the approval of the Chair or the majority of the Board. Any advice so obtained shall be made available to the Chair and, with his or her approval or direction, to the other Directors.

## 4. COMPOSITION OF THE BOARD

The composition of the Board is determined by the Constitution and comprises 10 Directors (at this time).

### Capability and skills relevant for Directors

The VRC is a complex organisation which requires a wide range of skills on the Board to add value to the organisation and govern effectively. The key skills are detailed below and will be reviewed regularly in line with the review cadence of the Board Charter as well as the work of the Remuneration and Nominations Committee.

Directors must have high ethical standards, a demonstrated alignment with the values of the VRC and the skills and ability to effectively perform the role of VRC Director. In performing their role, VRC Directors must act with integrity and in line with the values of the VRC.

All Directors should have either operated in a senior executive or advisory capacity that includes Board level interface and / or have board experience. In addition, all Directors should have an interest in and/or understanding of the racing industry and be capable of representing the VRC's interests with key stakeholders relationships.

The **key skills** for VRC Directors include:

- strategy and commercial operational;
- media including media rights, broadcasting, digital engagement;
- audit and risk, banking and finance;
- governance and legal;
- building and infrastructure;
- digital and technology;
- brand, major events, marketing and member/ customer engagement; and
- environmental, social and governance and stakeholder engagement.



## Diversity

The VRC is committed to having a diverse board. Diversity of thought and perspectives is underpinned by a variety of professional and life experiences as well as background including gender, ethnicity, culture and age.

The Board is committed to gender diversity including having a minimum representation of three women on the Board by 2022, with a commitment to increase that representation over time.

## Tenure

The Board is committed to ensuring a good balance between refreshing and evolving the Board and providing appropriate stability and accumulated knowledge. Directors are appointed for 3-year terms with the intention that Directors should not serve for more than 4 terms or 12 years. If a Director is also an office bearer, they may continue to serve as a Director beyond the intended period of 12 years provided that:

- no Director may hold the office of Chair, Vice-Chair or Honorary Treasurer for longer than 8 consecutive years;
- they are re-elected to hold their office of Chair, Vice-Chair, or Honorary Treasurer at the next office bearer election, usually each year;
- they are re-elected by members if their 3 year term is due to expire.

All Directors are expected to continue as Directors only for so long as they are adding value to the organisation and have the confidence of their fellow Directors.

Members have the opportunity to vote for re-nominating Directors (at the end of their 3-year term) and any newly proposed Directors each year at the Annual General Meeting (**AGM**).

The Directors may resolve to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board provided that the number of Directors does not exceed the maximum. Any Director appointed in this way will only hold office until the conclusion of the next AGM and will be eligible for election.

Each year members may nominate to become a Director of the Board. Their suitability will be considered by the Remuneration and Nominations Committee (**RNC**) having regard to several matters including their skills, experience and ability to perform the role. The RNC then provides a recommendation to the full Board.

## 5. DIRECTOR INDUCTION AND EDUCATION

Each new Board member will undertake an induction process which involves the following activities:

- an individual meeting with the Chair and CEO to discuss expectations and duties and responsibilities as well as provide an overview of strategy and key issues;
- attendance at briefing sessions which includes presentations on the business by the Executive Leadership Team;



- a tour of the facilities; and
- provision of a comprehensive package of briefing materials in relation to the Club and Board, including Strategic Plan, Financial Accounts, the Director's Code of Conduct, and Club policies, and any director-specific policies.

The VRC is committed to the ongoing education of Directors and opportunities for Director training and development will be pursued.

## 6. DIRECTORS' INDEPENDENCE

The Board must regularly assess the independence of each Director in light of the interests disclosed by him or her.

Each Director must provide the Board with relevant information to assess his or her independence and has ongoing processes to maintain Director independence (as set out in the Conflicts of Interest section below).

## 7. CHAIR AND OTHER OFFICE BEARER'S RESPONSIBILITIES

The Chair has a major role in providing leadership and other functions including:

- leading and facilitating the Board;
- setting the Board direction and focus;
- conducting an effective decision-making process and ensuring that the Board is focused on achieving outcomes;
- representing the VRC at racing events and during engagement with key VRC stakeholders;
- ensuring that no one has excessive influence;
- representing the Board in maintaining a professional working relationship with the CEO and managing the CEO's performance management process;
- leading CEO succession planning and CEO recruitment/ appointments;
- acting as a spokesperson, where appropriate, in conjunction with the CEO;
- promoting constructive and respectful relations between Directors;
- ensuring that each Director appropriately contributes to the Board's decision-making process;
- ensuring the availability of the required Director skills and expertise on the Board;
- work with the Remunerations and Nominations Committee to recommend to the Board the CEO's contract terms, remuneration, targets and incentives;
- ensuring the Board and Directors have a performance evaluation process;
- ensuring that the Board's workload is dealt with effectively;
- contributing to setting the agenda for each Board meeting, in conjunction with the CEO and the Company Secretary and taking into account suggestions from other Directors;
- maintaining the highest standards of ethical behaviour consistent with the VRC's values;
- communicating and consulting with Racing Victoria and relevant stakeholders on significant issues, as appropriate; and
- ensuring meetings are effectively conducted and minutes are signed as a true and correct record at the next Board meeting.



## **Vice Chair**

The Board will determine a Vice Chair from amongst the Board to assist the Chair in carrying out their duties. The Vice Chair and is able to represent the Chair when the Chair is unable to act.

## **Honorary Treasurer**

The responsibilities of the Honorary Treasurer include:

- providing oversight of the financial, prudential, accounting and auditing functions of the VRC; and
- reviewing the annual budget and giving reports to the Board on financial, prudential, accounting and audit matters as the Board requires.

## **Election of Office Bearers**

Usually, each year the Board elects the office of the Chair, Vice Chair and Honorary Treasurer from Directors that have nominated for the positions. If there is more than one candidate for any position, the Board undergoes a secret ballot process conducted by the Company Secretary and a simple majority is required to appoint the office-bearers.

Whilst the Board can determine the period that a Director elected as an office-bearer may hold office, office-bearers have a maximum term of 8 consecutive years. Although, if as a result of the appointment to office they will serve as a Director beyond the 4 terms or 12 years intended, they must be re-elected to hold their office of Chair, Vice-Chair or Honorary Treasurer in accordance with the office bearer process and they must be re-elected by members if their 3 year term is due to expire.

## **Company Secretary**

The Company Secretary supports the effective functioning of the Board by monitoring that Board policy and procedures are followed. The Company Secretary's role includes:

- managing board processes;
- ensuring members' and Directors' meetings are properly called, held and recorded;
- ensuring necessary registers are established and properly maintained;
- ensuring the Club complies with its statutory obligations;
- providing to/procuring advice for Directors regarding application of the Corporations Act, constitution, and other legal and regulatory requirements and good practice in corporate governance;
- development, implementation, communication and maintenance of compliance and other policies, processes and procedures; and
- ensuring the board has the information it needs to make informed decisions.

The Board appoints and removes the Company Secretary, and all Directors have access to the Company Secretary.



## 8. BOARD COMMITTEES

The Board may establish Committees of Directors to assist the Board by focusing on specific responsibilities, reporting to the Board and making any necessary recommendations. When necessary, the Committees may engage external advisors to draw on specialist skills. Committees should be used as a mechanism to support the efficient and effective functioning of the Board's workload and do not in any way diminish the responsibilities of the Board as a whole.

The role and responsibilities, charter, performance and composition of each Committee are reviewed annually by the Board. Committees can be established or dissolved depending on the needs of the Board.

The present Board Committees are the:

- Audit and Risk Management Committee;
- Racing Sub-Committee;
- Remuneration and Nominations Committee;
- VRC Master Plan Sub-Committee;
- Grounds and Gardens Sub-Committee; and
- Disciplinary Sub-Committee.

The VRC also supports and has a relationship with the Melbourne Cup Foundation (**MCF**), which has a separate Board.

The MCF is a charity that has been established to consolidate and expand the philanthropic activities of the VRC. The current focus of the MCF's work is Heritage and Culture, Equine Health and Wellbeing and Community and Education. The MCF is a charitable trust and the VRC is the sole shareholder of the trustee company of the trust. As sole shareholder, the VRC appoints Directors to the trustee company.

## 9. APPOINTMENT, ROLE, PERFORMANCE REVIEW AND TERMINATION OF THE CEO

A critical function of the Board is to appoint the CEO, monitor the CEO's performance and manage CEO succession.

The appointment of the CEO should be made by the Board having careful regard to the strategy of the VRC as well as a clearly stated position description that includes a detailed statement of the requirements of the role. The Board should consider whether the CEO appointment process would benefit from the appointment of an executive search firm.

The CEO is responsible for the overall day-to-day management and governance and the performance of the Club. The CEO manages the Club in accordance with the strategy, delegations, business plans and policies approved by the Board to achieve the goals and objectives provided within that framework.

The Board will review the performance of the CEO on a regular basis and no less frequently than once per year. Appropriate performance measures will be established by board resolution at the time of appointment, and adjusted on an annual basis (or otherwise as circumstances require). All performance reviews and related discussions with the CEO will be conducted by the Chair or, in the Chair's absence (and with his or her prior approval) by the Vice Chair, in each case after consultation with the Board in closed session.



The Board may terminate the CEO's employment in accordance with the terms of the CEO's employment contract and relevant laws.

Throughout the tenure of the CEO, the Board should satisfy itself that appropriate succession plans are in place to maximise the prospect of strong internal candidates for the CEO role in the future.

## 10. CONFLICTS OF INTEREST

The common law fiduciary duty of directors, to act honestly and in the best interests of the VRC overlaps with statutory duties under the Corporations Act, including not to misuse position or information to gain an unfair advantage, to act honestly and to disclose conflicts of interest, etc.

From time to time conflicts of interest will arise and will need to be appropriately managed. The overriding principle is that Directors must declare conflicts of interest in a timely and transparent manner and where conflicts of interest exist, Directors must recuse themselves from either the discussion, the vote or both, depending on the nature of the conflict.

To manage conflict of interests in accordance with the requirements of the Corporations Act, the Board requires the following guidelines to be adhered to by Directors:

- declare existing or potential material conflicts to the Company Secretary when appointed and on an ongoing basis as the need arises to enable the Company Secretary to maintain a register of Directors' interests and potential related party conflicts;
- provide a quarterly declaration to the Company Secretary for the purpose of updating the register of interests and related party transactions;
- when a conflict of interest arises, leave the Board meeting and not vote on any resolution that relates to the conflicted issue unless the Directors who do not have a material interest in the matter have passed a resolution that identifies the Director, the nature and extent of the Director's interest in the matter and its relationship to the affairs of the VRC and states that the interest should not disqualify the Director from voting on the issue;
- if a Director has provided notice on a material conflict the Company Secretary will ensure that the Director does not receive Board papers or other information related to the conflict; and
- no financial benefit can be given to a related party of a Director (including spouse, a de facto spouse, parents, children and certain related corporate entities) unless approved by the Board.

The Company Secretary can also arrange to provide a standing notice about an interest and will record it in the Board minutes.

## 11. STRATEGIC DIRECTION AND OVERSIGHT

The Board plays an important role in setting the VRC's long term strategic plan and assessing the major issues that the Board and Management expect the Club to face in the future.

The Board only approves the strategic plan after conducting a rigorous review, including considered Board input on major strategic initiatives. This review includes a thorough understanding of what is required to successfully execute the strategic plan.





The Board approves key performance measures (**KPIs**) (budget and financial and non-financial KPIs) aligned with the strategic plan. These KPIs are linked to management's short-term incentives.

## 12. BOARD MEETING ANNUAL AGENDA

The annual meeting agenda should be aligned with the strategy and reporting cycle of the VRC and bring many governance aspects of this Charter to life.

The Board customarily meets 10 times per year, with Board Committee meetings, attendance at the AGM and at race meetings additional to the Board meetings. The VRC's constitution requires the Board to meet as often as they deem necessary, and Directors should be prepared to make themselves available for additional Board meeting should the need arise through a crisis or major issue.

## 13. BOARD MEETINGS

Directors are provided with adequate information and context to have informed discussions and make well informed decisions at Board meetings. The Board is committed to robust discussion and debate followed by support for decisions made or direction taken.

Directors have adopted the following procedures for Board meetings:

- proper and timely notice of meetings should be given, with an outline of proposed business and resolutions to be provided five clear days in advance to allow time for review;
- agenda papers which include executive summaries and resolutions, with relevant supporting information to enable and support the making of Board decisions, to be provided five clear days in advance to allow time for review;
- an action list should be presented to ensure all outstanding items are dealt with, including monitoring progress of past decisions;
- Directors may meet periodically at scheduled meetings without management present;
- a general business item should be on the agenda so that Directors may add items for discussion /information; and
- minutes should be clear, accurate and have the appropriate detail.

## 14. BOARD MEETING ATTENDANCE

It is usual for the CEO (who is also a Director by virtue of the CEO office) and Company Secretary to attend Board meetings.

Executive management team members, advisors and other parties external to the Board are invited to attend Board meetings by the Chair, as appropriate. The Board conducts in-camera sessions at the end of each Board meeting without the presence of the executive staff.

Directors are encouraged to attend Board meetings in person where possible and where not possible via video conferencing facility with a camera on.



## 15. ANNUAL REPORT TO MEMBERS AND STAKEHOLDERS

The Board provides the members and other stakeholders access to a comprehensive annual report outlining the strategy and achievements of the VRC, the aspirations of the VRC and financial information.

## 16. ANNUAL GENERAL MEETING

The AGM provides an opportunity for the Board to update the VRC's members on the strategy and performance of the VRC, for members to have questions answered and to vote on matters before the AGM.

The VRC encourages effective communication with members and their effective participation at general meetings and has strategies in place to effect this.

All Directors are expected to attend Annual General Meetings. The preference is for AGMs to be conducted in person, however under special circumstances, AGMs may be conducted remotely via video conference.

## 17. BOARD AND DIRECTORS' PERFORMANCE

Board performance and accountability are important to set the tone for the organisation. The Board, through the Remuneration and Nominations Committee, reviews its own performance and that of the Board Committees by way of facilitated discussion annually.

The Board will engage an external board performance firm to evaluate the performance of the Board every three years with careful consideration given to the findings and recommendations.

The purpose of the reviews is to support the effective functioning the Board and Board Committees.

Directors' attendance at Board meetings and any Audit and Risk Management Committee meetings is recorded and noted in the annual report to members and stakeholders.

In addition to Board Meetings, Directors are required to attend the MCC and Super Saturday race meeting, and there is also a reasonable expectation that Directors will attend other race meetings during the year to be visible to the members and carry out official duties.

## 18. DIRECTOR REMUNERATION

No Director will receive any remuneration for his or her services as a Director, but they do receive certain minor benefits, reimbursements and travel allowances while fulfilling their role as a Directors. The Company Secretary handles all reimbursement matters in accordance with VRC policies.

If a Director serves on industry boards, any remuneration they are entitled to must not be paid to the Director or must be passed to the VRC. Special circumstances may be given consideration, but any exception must be approved by the Board.



## **19. REVIEW OF THIS CHARTER**

The Board will review this Charter annually and may make changes that further its purpose as described above.

## **20. HIERARCHY OF PRECEDENCE**

This Charter will, at all times, remain consistent with the constitution of VRC. In the event of any inconsistency between them, the constitution will take precedence.