



**Billabong  
International  
Limited**

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**Statement of Matters Reserved for the Board**  
**Billabong International Limited**

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*Approved by the Board – 25 May 2006*

*Reviewed by the Board – 17 February 2011*

## Introduction

In carrying out its responsibilities and powers as set out in this statement, the Board will at all times recognise overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of Billabong International Limited's (BBG) shareholders as well as its employees, partners, and the community.

### 1. Responsibilities of the Board

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- 1.1. The Board is responsible for overseeing the effective management and control of the Group and identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.
- 1.2. The Board has delegated certain responsibilities to standing committees for review and recommendation to the Board. All Committees operate in accordance with Charters approved by the Board. The permanent Committees of the Board are the Audit Committee, HR & Remuneration Committee and Nominations Committee. The Committees will assist the Board by focusing on the following activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations:

#### Audit Committee

- Ensure the integrity and reliability of the Company's financial statements and all other financial information published by the Company or released to the market;
- Review the scope and compliance of external audits;
- Assess compliance with applicable legal and regulatory requirements;
- Assess the effectiveness of the systems of internal control and risk management;
- Review the appointment, remuneration, qualifications, independence and performance of the external auditors and the integrity of the audit process as a whole; and
- Monitor and review the nature of non-audit services of external auditors and related fees and ensure it does not adversely impact on auditor independence.

#### HR & Remuneration Committee

- To assist the Board in establishing remuneration policies and practices which:
  - (a) enable the Group to attract and retain Executives and Directors (Executive and Non-Executive) who will create sustainable value for shareholders and other stakeholders;
  - (b) fairly and responsibly reward Executives and Directors having regard to the Group's overall strategy and objectives, the performance of the Group, the performance of the Executive and the general market environment; and
  - (c) comply with all relevant legislation and regulations including the ASX Listing Rules and Corporations Act 2001.
- In particular to:
  - Review the remuneration for each Executive Director (including base pay, incentive payments, equity awards and retirement or severance benefits), having regard to the Executive remuneration policy and whether in respect of any elements of remuneration any shareholder approvals are required;
  - Annually appraise the performance of the CEO and provide appropriate Executive development programs;
  - Review the remuneration (including incentive awards, equity awards and service employment contracts) for the CEO and senior management, to ensure they are consistent with the Executive remuneration policy;
  - Review Non-Executive Director remuneration with the assistance of external consultants as appropriate;
  - Review all equity based plans and all cash-based Executive incentive plans;
  - Review the appropriateness of management succession plans;
  - Review annually the remuneration trends (including major changes in employee benefit structures, philosophies and practices) across the Group in its various regions; and

## **1. Responsibilities of the Board (cont.)**

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- Ensure that the Board is aware of all relevant legal requirements regarding disclosure of remuneration.

### Nominations Committee

- Assess periodically the skill set required to discharge competently the Board's duties, having regard to the strategic direction of the Group, and assess the skills currently represented on the Board;
- Regularly review and make recommendations to the Board regarding the structure, size and composition of the Board and keep under review the leadership needs of the Company, both executive and non-executive;
- Identify suitable candidates to fill Board vacancies as and when they arise and nominating candidates for the approval of the Board;
- Ensure that, on appointment, all Directors receive a formal letter of appointment, setting out the time commitment and responsibility envisaged in the appointment including any responsibilities with respect to Board Committees;
- Oversee appropriate Board succession planning; and
- Overview the process for the review of the performance of individual Directors and the Board as a whole.

- 1.3.** The Board has delegated the day to day management of the business of the Group to management through the Chief Executive Officer subject to agreed authority limits applicable to the senior management team. However, the Board has established the following list of reserved matters pursuant to which it has reserved to itself control over certain matters of a strategic, sensitive or extraordinary nature or which exceed the thresholds set in the authority delegated to management.

## **2. Reserved Matters**

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The following matters (including changes to any such matters) require approval from the Board, except where they are expressly delegated to a Committee of the Board, the Chairman, the Chief Executive Officer or any other nominated member of the senior management team.

### **2.1. Appointments**

- (a) Appointments to the Board, following a review by the Board's Nomination Committee.
- (b) The appointment, and review of the performance of the Chief Executive Officer, and senior management following a review by the Board's HR & Remuneration Committee.
- (c) The appointment of external auditors on the recommendation of the Audit Committee.
- (d) The appointment of the Company Secretary.

### **2.2. Strategy and Direction**

- (a) Providing input into and final approval to the Group's:
  - (i) overall strategic direction and strategic plans for each of the Group's major business units;
  - (ii) key business, financial and performance objectives; and
  - (iii) dividend policy and the approval of any dividend pursuant to that policy.

## **2. Reserved Matters (cont.)**

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- (b) Acquisitions, disposals of assets or any significant Group expenditure which exceeds the authority limits delegated to the Chief Executive Officer, a General Manager or the Chief Financial Officer.

### **2.3. Financial Controls, Legal and Regulatory Compliance and Risk Management**

- (a) Annual operating and capital expenditure budgets for the Group.
- (b) Treasury policies, including foreign currency exposure and policies on the use of financial derivatives.
- (c) Group's Delegation of Authority document detailing authority/approval limits.
- (d) The Group's financial statements and published reports, including the Directors' report, the Group's corporate governance report and other significant statements to the ASX, ASIC, shareholders and/or the media.
- (e) Acceptance of Audit Reports including management letters.
- (f) The establishment and review of the effectiveness of the Group's systems of internal control and risk management processes.
- (g) Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored.
- (h) Matters impacting on legal compliance, compliance with statutory and regulatory obligations which, if not complied with, would have a material affect on the business of the Group.
- (i) Any significant changes in accounting policies or procedures.
- (j) Borrowings or giving securities over assets.

### **2.4. Major transactions not included in the Business Plan or outside the ordinary course of business.**

### **2.5. Corporate Structure**

Changes to the Group's capital structure, including reductions of share capital, share buy-backs or issue of new securities, other than in accordance with the terms of the Group's equity-based incentive plans.

### **2.6. Delegation of Authority**

- (a) Changes to the membership or Charter of any committee of the Board.
- (b) Changes to the authority delegated to the Chief Executive Officer or senior management.

Matters which exceed the authority delegated to the Chief Executive Officer or senior management.

### **2.7. Policies**

- (a) the Group Code of Conduct for Directors and Employees
- (b) Securities Trading Policy
- (c) Group Health and Safety policies

## **2. Reserved Matters (cont.)**

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- (d) Environmental and Social responsibilities
- (e) Risk Management policies
- (f) Continuous Disclosure and Communications Policies
- (g) Independence of Directors
- (h) Nomination and appointment of new Directors

### **2.8. Corporate Governance Matters**

- (a) Determining the independence of Non-Executive Directors.
- (b) Determining the remuneration of the Non-Executive Directors on the recommendation of the HR and Remuneration Committee.
- (c) Undertaking assessments of the performance of the Board and standing Committees.
- (d) Resolutions and related documentation to be put to Members in a general meeting.
- (e) Approval of announcements and press releases concerning matters decided by Board including announcements relating to the operating performance of the Group.
- (f) Disclosure of Conflicts of Interests for Board and Senior Management.

### **2.9. Members' and Stakeholders' arrangements for the Annual General Meeting and other members' meetings**