

FLIWAY

Governance Policy – Delegated Authority

November 2015

FLIWAY
DELIVERING TRANSPORT SOLUTIONS

Introduction

- The Board of Fliway (“Fliway” or the “Company”) has the statutory responsibility for managing the business and affairs of the company which is, in part, delegated to the Managing Director (“MD”).
- The Board has agreed that the MD may sub-delegate to other levels of management certain rights to make Operational and Financial decisions, the limits of which are described in the Delegation of Authority Framework and other Policies of the MD.

Governance Policy Statement

- The Board of Directors of Fliway is the overall and final body of responsibility for all decision-making and implementation within Fliway, including all its subsidiaries and divisions.
- In pursuit of efficiency the Fliway Board has chosen to decentralise much of its authority and responsibility to the MD who is charged with the day to day leadership and management of the company.
- The Fliway Board has agreed that the MD may in turn delegate to other levels of management certain rights to make operational and financial decisions within certain limits.
- With the delegation of authority there is a delegation of responsibility and accountability. When a Fliway employee makes a decision under a delegated authority, the employee must do so first with regard to the responsibilities of the Directors to comply with the law, and, secondly, strive for excellence and operate with integrity.

Governance Structure

- The Fliway Board has formally delegated authority and responsibility to the MD and Board Committees, if and when they are established. In turn the MD has formally delegated certain authorities to his/her direct reports, and has established a process for his/her direct reports to sub-delegate certain authorities. In general, collective bodies will be replaced by individual management accountabilities.

Specific Responsibilities

- Fliway Board of Directors – The Board is the overall and final body of responsibility for all decision-making and implementation within the Fliway Group.
- Board Committees – The Board has formally delegated certain powers and duties to Board Committees. The Audit and Risk Management Committee is responsible for overseeing financial, accounting and risk management processes.
- Subsidiary Boards – Fliway’s business will only be limited liability companies if there is an overriding legal, strategic or ownership reason. The management responsibilities of subsidiary boards will largely become part of individual managers’ accountabilities for the outcomes of that subsidiary, business unit or group. Subsidiary boards and directors must, however, still comply with the formal duties and requirements under the Companies Act and the Company’s Constitution.
- Managing Director– The Board has formally delegated authority and responsibility to the MD to conduct the day-to-day affairs of the Fliway Group, and to recommend to the Board changes to the business, performance goals and policy. Restrictions are placed on the powers to engage, discharge or vary the employment conditions of direct reports, expenditure and sub-delegation, guarantees and securities, financial exposures, capital changes and litigation.
- Executive Team – The Executive Team operates as an advisory group to the MD on matters including strategy, policy, investment and corporate activities for which the MD has ultimate responsibility.
- Management – The MD has in turn formally delegated certain financial authorities to his/her direct reports, relating to operating and capital expenditure and sub-delegation, equity investments, new products and services, tariff changes and discounts, foregone revenue, treasury operations, disposal and write-off of assets, contractual commitments, and litigation.
- The Chief Financial Officer (CFO) manages the Company’s compliance with Board Policy and the Companies Act. The DA framework is administered by the CFO.

Delegation to the MD

- The Fliway Board has a statutory responsibility for managing the business and affairs of the company, which, in large part, in pursuit of efficiency is achieved through delegation to the MD and others (including subsidiary company boards) who are charged with the day-to-day leadership and management of the Company.

The general principle of delegation of authority (“DA”) to the MD is to:

- Conduct the day to day affairs of Fliway in accordance with the law in order to achieve goals set by the Fliway Board in the annual Business Plan and longer term financial forecasts, and in conformity with approved policies and decisions of the Fliway Board; and
- Recommend to the Fliway Board desirable changes in the business of the Company, performance, goals or policies.

- The DA framework is designed to satisfy requirements that ensure that shareholders' value is maximised without compromising financial discipline and risk and maximum efficiency and effectiveness while maintaining an appropriate level of accountability.

The framework comprises 3 sections:

- DA Framework – This section provides a description of the framework. The Framework applies to all business activities with financial and non-financial consequences, and to all employees and contractors who enter into a commitment or accept risk which may or will have a financial impact on Fliway.
- DA Rules – These are the mandatory rules under which DA is granted.
- DA Limits – These are the limits that can be assigned to each DA holder.

Exercising DA

- DA is exercised at the point where an employee enters into a commitment or accepts a risk which has an actual or potential financial impact for Fliway. When an employee exercises DA, they must do so:
 - With regard to the responsibilities of those with ultimate accountability, i.e. those who initiated the delegation of authority;
 - Whilst striving for excellence and operating with integrity;
 - With regard to the other policies of the MD that may be relevant to the activity, commitment or transaction;
 - Appreciating that a breach of DA may result in dismissal (which may be summary or on notice depending on severity).

DA Violations

If you become aware of a breach of the Fliway delegated authority framework, you are responsible for reporting it to your manager, the CFO or the Board, as appropriate. If this is not appropriate in the circumstances, you should report the breach to the:

- Chairman of the Board; or
- Chairperson of the Audit and Risk Management Committee.

Fliway will stand behind any employee who, acting in good faith, reports a breach, serious problem or wrongdoing. The identity of the person making the report will be kept confidential where possible – there may be situations however where the proper investigation of the matter inadvertently identifies the reporter or requires his or her identification.

Fliway requires all directors, senior executives and other employees who receive a report of an actual or suspected violation of this delegated authority framework to take all reasonable steps within their control to ensure that:

- the behaviour alleged in the report is thoroughly investigated;
- the rules of natural justice are observed in that investigation; and
- appropriate disciplinary action is taken if the allegation is substantiated.

Any person who knowingly makes a false report of a legal or policy breach may be subject to disciplinary action. If you suspect that a breach of the delegated authority rules or limits has occurred you should advise your manager and the delegated authority holder whose responsibility it should have been to approve the transaction, as soon as possible.

Violations include:

- Entering into a commitment which breaches the DA's Rules
- Entering into a commitment which exceeds one's DA Limit
- Manipulating a commitment such that it appears to be within one's DA Limit, e.g. splitting a transaction which really constitutes a single commitment.
- Exposing Fliway to a risk in excess of one's DA Limit.

DELEGATED AUTHORITY FRAMEWORK – DA LIMITS (1/3)



Set out below are the limits that are assigned to each DA Holder. In addition to this the MD is granted, and the MD can grant other employees special DA to approve specifically identified high value transactions which include motor vehicle R&M, taxation, ACC and interest payments.

	Limit 1 (MD)	Limit 2 (CFO)	Limit 3 (Exec Team)	NOM/Bch Mgr
Revenue Transactions				
Price Setting	MD, CFO and Business Unit GM			
Sales Discounts within a customer contract (% off card)	20%	Nil	15%	Nil
Price with Margin Minimums (Int'l)	7%		10%	
Debt Write-offs	MD, CFO and Business Unit GM. Fin Mgr \$300			
Revenue Credit and Customer Billing Adjustments	\$10k	\$5k	\$1k	\$300
Operating Expenditure Transactions				
Purchase Orders (Transactions)				
- included in approved budget	\$300k	\$250k	\$100k	NOM \$50k Bch Mgr \$10k
- not included in approved budget	\$50k	\$15k	\$5k	\$2k
- Purchase order transactions with FX	CFO approval required			
Travel Expenditure				
International Travel	Must be approved by the MD			
Domestic Travel	\$2k	Nil	Nil	Nil
Personnel & Employment Related				
Salary adjustments and one-off Employee Payments	MD only. Board approval for MD.			
Negotiations with Collective Bargaining Agents	MD and HR Manager, Financial comp to be approved by the CFO			
Settlement of Employment Relations Disputes	MD and HR Manager			
Fliway Group Board Expenses	MD only			
Sales Commissions & Bonus Structures	MD only - BU GM's, HR Mgr & CFO sign off required			
Sales Commissions & Bonus Payments	MD only - BU GM's & CFO sign off required			
Employment Agreements	MD only - BU GM's approval required			
Contractors / Temp Labour	CFO approves contractors to \$50k. > \$50k requires MD approval.			
Donations				
Political Donations	Nil	Nil	Nil	Nil
Charitable Donations	\$3k	Nil	Nil	Nil
Other				
Ex gratia payments to customers	\$3k	Nil	Nil	Nil
Approval of personal expenses & Reimbursements	\$5k	\$2k	\$1k	\$300

DELEGATED AUTHORITY FRAMEWORK – DA LIMITS (2/3)



Set out below are the limits that are assigned to each DA Holder. In addition to this the MD is granted, and the MD can grant other employees special DA to approve specifically identified high value transactions which include motor vehicle R&M, taxation and interest payments.

		Limit 1 (MD)	Limit 2 (CFO)	Limit 3 (Exec Team)
Capital Expenditure Transactions				
Asset Purchases/Disposals:	MD only - BU GM's & CFO sign off required			
- included in approved budget		\$300k	Nil	Nil
- not included in approved budget		Nil	Nil	Nil
Operating Leases (excluding property)				
- included in approved budget		\$300k	\$50k	Nil
- not included in approved budget		\$100k	\$10k	Nil
Formal Contracts				
Fliway Approved Confidentiality Contracts	MD and CFO			
Customer Contracts				
- included in approved budget		\$5m	Nil	Nil
- not included in approved budget		\$1m	Nil	Nil
Supplier Contracts - \$		\$3m	\$100K p.a.	\$100K p.a.
- Term		3 Yr Term	1 Yr term	1 Yr term
Property Agreements				
Memorandum of Understanding	Board Approval Required		MD and CFO, Legal sign-off required	
Heads of Agreement	Board Approval Required		MD and CFO, Legal sign-off required	
Letters of Intent and Term Sheets	Board Approval Required		MD and CFO, Legal sign-off required	
Lease obligations			MD after board approval of heads of agreement	

DELEGATED AUTHORITY FRAMEWORK – DA LIMITS (3/3)



Set out below are the limits that are assigned to each DA Holder. In addition to this the MD is granted, and the MD can grant other employees special DA to approve specifically identified high value transactions which include taxation, printing and distribution and interest payments.

	Board	Limit 1 (MD)	Limit 2 (CFO)	Limit 3 (Exec Team)
Treasury Policy				
Adoption and changes to policy	Board approval required			
Debt Facilities & Funding Entities				
New borrowings and facilities including refinancing	Board approval required			
Providing Guarantees or security	Board approval required			
Contingent Balance Sheet liabilities	Board approval required			
Risk Management / Treasury contracts				
Interest rate risk management positions				
Forward rate agreements (90 day roll over)		\$5m	\$5m	Nil
Others	Board approval required			
Foreign Exchange transaction risk management				
Spot foreign exchange contracts		\$1m	\$500k	Nil
Forward foreign exchange contracts		\$1m	\$500k	Nil
All others	Board approval required			
Banking				
Open bank accounts	Directors and MD/CFO to approve bank account signatories			
Account management	Both signatories required			
Supplier creation	Validation of bank details by Finance Mgr required			
Payroll	CFO, Fin Mgr & HR Mgr only			
Interest payments under existing facilities	Min of two signatories, must incl CFO / MD			
Sundry				
Approval of routine litigation	Nil except for CFO and MD			
Settlement of non-routine litigation	Subject to Board approval			
Dividend payments	Subject to Board approval			