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# DULUXGROUP'S DELEGATION OF AUTHORITY POLICY

## OVERVIEW

DuluxGroup's Board has approved Reserved Powers and Delegated Authorities that set out the matters specifically reserved for determination by the Board, and those matters delegated to management.

## MATTERS RESERVED FOR BOARD

The matters specifically reserved for Board approval under the reserved powers include decisions about Company financial plans, strategy and major policies, issues of equity or guarantees and matters involving amounts over specified limits (which varies depending upon the nature of the transaction) or with the potential to have a material impact on the reputation of the Company.

The Board also has authority, through the Remuneration and Nominations Committee, for succession planning and remuneration for the Managing Director and his direct reports.

## DELEGATION TO MANAGEMENT

All matters not specifically reserved for the Board and necessary for the day to day management of the Company are delegated to management. Guidelines on management delegated authority have been developed and approved by the Board.

# RESERVED AND DELEGATED AUTHORITIES

## APPLICATION

- **Wholly-owned companies.** The requirements set out in this document are mandatory for all employees of wholly-owned DuluxGroup companies.
  
- **Majority-owned companies.** Will have adopted their own authorities taking these requirements into account.
  
- **Minority-owned companies.** May have adopted their own authorities taking these requirements into account.
  
- **Non-Australian companies.** Will have taken these requirements into account, but may have modified them to take account of local laws.

## RESERVED AUTHORITIES

The DuluxGroup Managing Director has general authority to run the company. This authority is largely delegated by the Managing Director to the general managers who directly report to him (the Group Executive). However, both the Board and the Managing Director reserve authority over specific decisions and areas of activity. These are the **Reserved Authorities**.

The Reserved Authorities do not define the complete list of matters that must be submitted to the Board, the Managing Director or the Group Executive. Other material or significant items may require approval or disclosure to the Board, the Managing Director or the Group Executive (including matters that fall within the scope of the Group's continuous disclosure policy). If in doubt please contact the Company Secretary. Where titles and roles change, these Reserved Authorities apply to the equivalent role.

Approval from the authority holder must be obtained before taking action in any area of activity listed in this section.

## Accounting and financial control

<i>Chief Financial Officer</i>	Accounting policies and controls
	Budget preparation
	Certification of financial compliance
	Financial performance monitoring
	Internal and external reporting requirements
	Internal financial reporting structure
	Opening of new bank accounts

## Acquisitions and divestments

<i>Board</i>	Acquisition of any company listed on a stock exchange
	Investment by any DuluxGroup entity into a new country or withdrawal from an existing country
<i>Group Executive</i>	DuluxGroup acquisitions and divestments
	Negotiations for all DuluxGroup acquisitions or divestments requiring Board approval

## Audit

<i>Board</i>	Appointment of external auditors and internal auditors
<i>Chief Financial Officer</i>	External audit processes and relationships
<i>Chief Risk Officer</i>	Internal audit: unrestricted access to all records, personnel and assets

## Borrowings

<i>Board</i>	Annual budgeted requirement
	Borrowing currencies
	Interim requirements in excess of authority of Chief Financial Officer
	New facilities over [AUD\$25m]
<i>Chief Financial Officer</i>	Establishment of borrowing facilities to meet approved borrowing requirement
	New facilities up to [AUD\$25m], to a total of [AUD\$50m] in any one year

## Capital sanctions

<i>Board</i>	<p>Capital expenditure or disposal greater than [AUD\$25m]</p> <p>Capital management initiatives, including dividends and buy-backs</p> <p>Related party transactions (at DuluxGroup Limited level)</p>
<i>Group Executive</i>	<p>Transactions and capital expenditure or disposal applications greater than [AUD \$10m]</p> <p>Transactions relating to strategic Intellectual Property, ie IP which has DuluxGroup implications or which has or is expected to have earnings which are material at DuluxGroup level, eg Dulux, Cabot's, Selleys and Yates brands, and DuluxGroup house marks</p>
<i>Managing Director</i>	Capital controls as set out in the Delegate Authorities.
<i>Chief Financial Officer</i>	IT projects over [AUD \$500K]
<b>Cash, currency, and commodity risk</b>	
<i>Board</i>	Foreign exchange hedging policy
<i>Chief Financial Officer</i>	<p>Treasury risk management</p> <p>Commodity risk hedging</p>
<b>Company structure and organisation</b>	
<i>Board</i>	<p>Major changes in the organisation and shape of the Group, including changes to legal structure, entry into new fields of operation and departure from existing fields</p> <p>Appointment of directors (and equivalents) to non-wholly owned subsidiary companies and DuluxGroup (Australia) Pty Ltd, DuluxGroup (Investments) Pty Ltd and DuluxGroup (Finance) Pty Ltd</p>
<i>Executive Directors</i>	Nominations for appointment as directors (and equivalents) of subsidiaries and related companies
<i>Chief Financial Officer</i>	<p>Changes to the financial or ownership structure of a subsidiary</p> <p>Formation or dissolution of incorporated or unincorporated entities</p>

## External / investor relations

<i>Board</i>	Release of financial results Shareholder meetings
<i>Chief Financial Officer</i>	Investor relations activities Group reputation: any significant event having impact on the Group
<i>Chief Financial Officer and Group Company Secretary</i>	Release of information, other than DuluxGroup results, that may affect the share price or is required by the Australian Stock Exchange or supplied in accordance with Australian Stock Exchange rules

## Finance and funding

<i>Board</i>	Dividend policy Guarantees Issues of equity Loans to third parties (not wholly-owned) over [AUD \$10m] Major transactions and financial arrangements Mortgages and security over Group assets or revenues Loans to DuluxGroup executives
<i>Chief Financial Officer</i>	Appointment of financial advisers Banking and investment relationships Capital subscriptions in subsidiaries and related undertakings Financing plans Investment of funds (short term surplus) Letters of comfort Loans (and loan forgiveness) to third parties (not wholly-owned) up to [AUD \$10m] Loan (and loan forgiveness) to third parties (wholly-owned)

## Group policies

<i>Board</i>	<p>Corporate governance policies</p> <p>Risk management policy and systems (including taxation)</p> <p>Remuneration policy for directors and senior executives</p> <p>Treasury risk management policies</p> <p>Dividend policy</p>
<i>Group Executive</i>	<p>Policies in areas not covered by the Board’s reserved authorities that have application across the Group.</p> <p>DuluxGroup’s key Principles &amp; Behaviours</p>

## Human resources

<i>Board</i>	<p>Appointment, dismissal and remuneration of Group Executive members</p> <p>Introduction or termination of executive or employee share and option plans, including discretion exercised with plan rules</p> <p>Provision and terms of employee superannuation</p> <p>Grant of shares or options to employees and executives</p>
<i>Group Executive</i>	<p>Senior succession plans and appointments at [Career Level 3 (1082 Hay points)] or above</p>
<i>Group General Manager Resources</i>	<p><i>Human</i> Policies and standards for human resource, employment, and succession practices</p> <p>Appointment of remuneration consultants</p>
<i>Group General Manager Resources and Chief Officer</i>	<p><i>Human</i> Retirement benefits: changes to benefit arrangements, introduction of new arrangements, matters relating to benefit trustees and management boards</p> <p><i>Financial</i> Fund planning and management — appointment of actuaries, actuarial assumptions used for fund valuations, plans for dealing with actuarial surpluses or deficits, matters affecting compliance with laws relating to trusts and trustees, investment plans and arrangements, funding arrangements and appointment of fund managers</p>

## Information Technology

*Chief Financial Officer*

IT security

Information system infrastructure

Office systems

IT transaction processing systems

IT projects over [AUD \$500K]

#### Insurance and risk management

*Board*

Risk management policy and systems

*Chief Financial Officer*

Implementing and monitoring risk management systems

Insurance policies

#### Intellectual property

*Group Executive*

Transactions relating to Strategic Intellectual Property, ie IP which has DuluxGroup implications or which has or is expected to have earnings which are material at DuluxGroup level, eg Dulux, Cabot's, Selleys, Yates and DuluxGroup house marks.

*Group General Counsel*

Intellectual property matters regarding DuluxGroup house marks.

Appointment of external intellectual property advisers

#### Land

*Board*

Property transactions (including leases, sales and acquisitions) over AUD\$5M

*Executive Directors*

Property transactions (including leases, sales and acquisitions) under or equal to AUD\$5M

Sign off on environmental issues.

#### Legal matters

*Executive Directors*

Powers of attorney: issue of general powers of attorney by DuluxGroup wholly-owned subsidiaries

<i>Group General Counsel</i>	<p>Limited purpose powers of attorney for wholly owned DuluxGroup group companies</p> <p>Material legal action taken by or against the company (except debt recover, workers compensation or employee or industrial relations litigation)</p> <p>Conduct of litigation likely to have an impact on the reputation of the company</p> <p>Responses to communications from or proceedings commenced by a competition or monopoly authority or other key regulators</p> <p>Legal aspects of transactions referred to the Managing Director or Board</p> <p>Appointment of external legal advisers</p>
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#### Names and trademarks

<i>Group General Counsel</i>	Policies and standards for the use of the company name and house marks
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#### Safety, Health, and Environment

<i>Board</i>	Endorsement of the Group's Safety and Sustainability strategy and policy
<i>Managing Director</i>	Strategy to deliver the Group's Safety and Sustainability policy
<i>General Manager Supply Chain</i>	Standards, including management systems, to deliver the Group's Safety and Sustainability policy

#### Strategy and budgets

<i>Board</i>	<p>Corporate strategy</p> <p>Annual budget</p> <p>Annual financial plan</p>
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#### Taxation

<i>Chief Financial Officer</i>	<p>Relationship with tax authorities</p> <p>Expression of company view on actual or proposed tax legislation</p> <p>Policy on transactions between group companies</p> <p>Transactions between group companies that deviate from policy</p> <p>Appointment of tax advisers</p>
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## DELEGATED AUTHORITIES

The delegated authority levels approved by the Board and the Group Executive are set out in the table below. They apply to all DuluxGroup businesses and controlled entities. Notwithstanding the authority levels below, authority must still be exercised within existing budgets and performance objectives.

[Any matters that are to be submitted to the Board are to be approved by the Group Executive unless otherwise approved by the Managing Director.]

### Transactions

A transaction is any dealing between legal entities, including entities within DuluxGroup, that creates an actual or potential liability.

The Board and the Managing Director have set value limits to the transactions that may be authorised by the Managing Director and the Group General Managers. Each business may only delegate transaction authorities consistent with the authorities delegated by the Board.

All transactions must be authorised.

You need approval for any transaction beyond your level of authority.

Your transactions must be legal, ethical, safe, and in accordance with company policies and requirements.

	Division Manager / Reports to Managing Director	Managing Director	DuluxGroup Board
General Contracts <sup>(1)</sup>			
Business Unit earns < 18% RONA	CEO Discretion	≤ \$5m total value	> \$5m total value or > 5 years
Contract earns < 18% RONA	CEO Discretion	≤ \$5m total value	> \$5m total value or > 5 years

Business Unit & Contract earn > 18% RONA	CEO Discretion	≤ \$50m total value	> \$50m total value
Take or Pay Contracts (where Business Unit earns < 18% RONA)	CEO Discretion	≤ \$5m total value & ≤ 5 years	> \$5m total value or > 5 years
Take or Pay Contracts (where Business Unit earns > 18% RONA)	CEO Discretion	≤ \$25m total value & ≤ 5 years	> \$25m total value or > 5 years
<b>Capital Controls <sup>(11)</sup></b>			
Sustenance Capex <sup>(2)(3)(4)(5)</sup>	CEO Discretion	≤ \$5m	> \$5m
Expansion Capex <sup>(2)(3)(4)(5)</sup>	CEO Discretion	≤ \$5m	> \$5m
Planned shutdowns <sup>(6)</sup>	CEO Discretion	≤ \$10m	> \$10m
IT Project <sup>(7)</sup>	CEO Discretion	≤ \$5m <sup>(8)</sup>	> \$5m
Acquisitions & Divestments/JVs <sup>(9)</sup>	CEO Discretion	≤ \$1m	> \$1m
<b>Property Transactions <sup>(10)</sup></b>			
Sales & Acquisitions and Leases	CEO Discretion	≤ \$5m	> \$5m

Notes:

- All contracts and proposals requiring Chief Financial Officer, CEO or Board approval must be channelled through Corporate Finance
- Financing decisions, including leasing, must also be approved by Corporate Finance
- All expenditure must give the best result to DuluxGroup as a whole
- All amounts specified are in AUD

(1) Contract renewals and extensions require the same approvals as if they were a new contract

(2) Sustenance capex must include the following:

- Capital expenditure for maintaining existing operations with no material capacity or productivity increases
- SH&E capital expenditure (unless the business can clearly demonstrate part of the expenditure meets the expansion definition in which case that portion only must be classified as expansion)

- Any other capital expenditure which does not meet the expansion definition
  - Examples of sustenance capex include field equipment capex where there is no substantial increase in payload or capacity; office refurbishments; software licenses and upgrades; purchase of safety equipment; and replacement of manufacturing equipment that does not result in a significant increase in output.
- (3) Expansion capex must only include the following:
- Capital expenditure that results in earnings growth through significant cost savings or increased revenues
  - SH&E expenditure that will provide the business with additional production capacity and/or extra functionality and can be demonstrated to result in earnings growth (through significant cost savings or increased revenues)
  - Examples of expansion capex include a new plant which results in increased output/revenues; substantial plant or equipment improvements resulting in increased output or productivity gains; environmental spend to get a property ready for sale; and new or replacement field equipment that is required as a direct result of the customers' demands and would otherwise result in lost business.
- (4) Capex includes total rental commitment for finance leases
- (5) Expenditure must be within approved capital budgets
- (6) Planned shutdowns, commonly referred to as turn-around expenditure, includes all capital expenditure for major plant shutdowns. For financial reporting purposes the business will need distinguish between that portion of the expenditure that is sustenance and expansion capex. Emergency repairs <\$10m may be conducted at the GM Discretion
- (7) IT Project costs include all incremental external expenditure (including all committed future spend) whether budgeted or not. That is, it includes revenue expenditure; acquisition of software and hardware via purchase, finance or operating leases; external consultants and contractors fees and expenses, but it excludes DuluxGroup employees' time.
- (8) All approval requests for IT Projects ≥\$500K must be submitted to the Chief Financial Officer. Business IT Projects <\$500k may be approved by the Group General Manager. Corporate IT Projects <\$500k must be approved by the Chief Financial Officer.
- (9) Acquisitions & Divestments and JVs are changes in DuluxGroup's shareholding structure or acquisitions of a business (via an asset purchase instead of shares). Value of an acquisition is the equity investment plus DuluxGroup's share of net debt. All costs in relation to an acquisition or divestment (for example project costs, consulting and legal fees) must be added to the total value of the acquisition/divestment when considering delegated authority approval levels.
- (10) Property transactions of more than \$5m and property divestments regardless of the amount also require approval of Chief Financial Officer in addition to CEO.
- (11) A supplementary expenditure proposal is required where there is a cost overrun of greater than 10%. It should contain:
- Approvals sought
  - Executive summary
  - A brief description of the project

- Details of missed milestones, expenditure overruns and other problems with project implementation with reasons
- The additional amount of fixed capital expenditure requested and the total that will be spent on the project
- Revised financial analysis of the project
- Revised timetable

Please note that whilst original sanction approval is received for a B class estimate of +/-10%, if the managers of the business or project are of the belief that there will be an overrun of greater than 10% then supplementary approval should be sought before the cost overrun is incurred. In not receiving approval upfront or at the earliest possible juncture, the business/project managers are in breach of DuluxGroup corporate governance reserved and delegated authority guidelines.

## COUNTRY APPROVAL RESERVED AUTHORITIES

The following table summarises the approval requirements for entering or expanding a business in a country other than Australia.

	<b>No DuluxGroup presence in country</b>	<b>Another DuluxGroup business present in country</b>	<b>Same business present in country but different business model</b>
<b>Low Risk Country</b>	Board country approval if > AUD \$10m DuluxGroup assets at risk  CEO country approval if ≤ AUD \$10m DuluxGroup assets at risk	No country approval required	No country approval required
<b>High Risk Country</b>	Board country approval if > AUD \$10m DuluxGroup assets at risk  CEO country approval if: Trading relationship only DuluxGroup employees at	Board country approval if > AUD \$10m DuluxGroup assets at risk on a cumulative basis  CEO country approval if: Trading relationship only	Board country approval if > AUD \$10m DuluxGroup assets at risk on a cumulative basis, and Board approval not obtained for earlier entry  CEO country approval if:

	<p>risk; or</p> <p>≤ AUD \$10m DuluxGroup assets at risk</p>	<p>DuluxGroup employees at risk; or</p> <p>≤ AUD \$10m DuluxGroup assets at risk on a cumulative basis</p>	<p>Trading relationship only</p> <p>DuluxGroup employees at risk; or</p> <p>≤ AUD \$10m DuluxGroup assets at risk on a cumulative basis</p>
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