

AUSTRALIAN WOOL EXCHANGE LIMITED

CODE OF CONDUCT AND RULES

This Code of Conduct and Rules, incorporates the AWEX Code of Conduct and Business Rules into one document, using a single set of definitions and consistent language. It is intended over time that other rules promulgated by AWEX will be added to and form part of this document.

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AWEX CODE OF CONDUCT AND BUSINESS RULES

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

1.1.1 In this Code of Conduct and Rules:

'adequate internal control and monitoring procedures' means appropriate systems, system checks and appropriate management review processes;

'Appeals Committee' means the committee established under **clause 3.4.16** of the Business Rules;

'appropriate financial structure' means the Member has appropriate funding arrangements, information systems and associated controls;

'Auction Service Fee' means the per kilogram fee payable to AWEX when wool is offered for sale by a Member or a Related Body Corporate of a Member through a Trading Facility;

'Board' means the board of directors of AWEX;

'Buyer' means a Member who buys greasy wool;

'Classing House' means any organisation registered with AWEX as a classing house;

'Code of Conduct' means the AWEX code of conduct as set out in this document;

'Code of Practice' means the Code of Practice for the AWEX Quality System, Preparation of Australian Wool Clips: the Woolclasser;

'First Hand Wool' means wool for which the exchange of ownership is effected for the first time;

'Industry Services Advisory Committee' means the formal advisory committee or sub-committee established to advise the Board on wool standards and quality related issues;

'National Auction Selling Committee' or **'NASC'** means the forum established by AWEX for buyers and sellers to consider issues relating to the conduct, operation and development of wool auction trading;

'properly protect assets held on behalf of clients' means clients' assets are appropriately secured/safeguarded against (without limitation) theft, fraud, misuse, misappropriation and loss caused by (without limitation) Members, Members' employees, Members' contractors, Members' agents or any other third party;

'reasonable steps' means Members have attempted in good faith and to the best of their ability to comply with the stated requirements;

'Related Body Corporate' has the same meaning as in the Corporations Act;

'Review Committee' means the committee established under **clause 3.4.1** of the Business Rules;

'Rules' means the business rules or other rules published by AWEX from time to time;

'Seller' means a Member who sells greasy wool;

'sufficient financial resources' means Members are able to pay their debts as and when they fall due and are expected to continue in operation without any intention or necessity to liquidate or otherwise wind up their operations;

'Trading Fees' means the applicable fees payable to AWEX as set by the Board from time to time;

'Trading Members' means Exporter, Broker, Private Treaty Merchant and Processor Members

'Trading Platform' means any auction or selling system supplied by AWEX to effect the trading of wool between Members;

'WIEDPUG Handbook' means the Wool Industry EDP User Group Handbook; and

'Woolclasser' means any person registered with AWEX as an owner classer or Australian woolclasser.

- 1.1.2 Terms defined in the Constitution, have the same meaning in this document.
- 1.1.3 Reference to an action by or a decision of AWEX includes an action or decision taken by the Chief Executive Officer or a committee or individual(s) authorised by the Board or the Chief Executive Officer to take an action or make a decision.
- 1.1.4 Reference to a rule or rules is a reference to a rule or rules in the Rules.

2. CODE OF CONDUCT

2.1 MARKET PRACTICE

2.1.1 Members must:

- (a) not engage in conduct that is misleading or deceptive or is likely to mislead or deceive;
- (b) not knowingly assist a person in an act which could have the effect of misleading or deceiving others or contravene any AWEX requirement;
- (c) refrain from any action which would conflict with the Rules;
- (d) be responsible and accountable for the conduct of their employees and representatives;
- (e) comply with their clients' lawful instructions unless those instructions contravene the Rules;
- (f) take all reasonable steps to ensure that delivery and settlement procedures are performed in a fair, expeditious and efficient manner;
- (g) provide to prospective Buyers adequate and accurate information to ensure that the product offered for sale is not misrepresented;
- (h) at all times behave in a way that upholds the values, integrity and good reputation of AWEX.

2.2 CONFLICTS OF INTEREST

2.2.1 Members must disclose to their clients and to AWEX any circumstance which limits the independence of the Members' services.

2.2.2 Members must implement and monitor internal control procedures in order to prevent any client being disadvantaged by a potential conflict of interest.

2.3 CLIENTS' ASSETS

2.3.1 Members must take all reasonable steps to properly protect assets held on behalf of clients and to ensure that adequate internal control and monitoring procedures are in place at all times to identify and keep safe those assets.

2.4 FINANCIAL RESOURCES

2.4.1 Members must ensure that they have sufficient financial resources and an appropriate financial structure in place to undertake their business in accordance with the Constitution, Code of Conduct and Rules and must comply with any request made under clause 3.1.9 of the Business Rules.

2.5 MANAGEMENT CONTROL

2.5.1 Members and Members' directors, or officers as appropriate, must:

- (a) take all reasonable steps to ensure that Members fulfill their responsibilities as Members;
- (b) take all reasonable steps to ensure that their clients are not misled concerning the identity of or other relevant information concerning the Members, their officers and their associated companies;
- (c) take responsibility for the actions of their employees and take reasonable steps to ensure their conduct does not adversely affect the reputation of AWEX;
- (d) take reasonable steps to establish and maintain compliance procedures so that they and their employees have sufficient knowledge of relevant legal requirements, including the requirements of the Trade Practices Act, the Rules and any other requirements to properly undertake their business;
- (e) have in place procedures to ensure that clients' complaints are properly and expeditiously handled and that any necessary remedial action is taken promptly;
- (f) maintain adequate and accurate information on all wool trading activities to allow AWEX to carry out its functions and the collection of Trading Fees; and
- (g) maintain appropriate confidentiality about dealings they have with clients and with AWEX.

2.6 **DISCLAIMER**

2.6.1 Whilst AWEX takes all reasonable steps to ascertain the capacity of Members to comply with the Constitution, Code of Conduct or Rules, AWEX does not provide any guarantee as to an organisation's or individual's competence or ability to comply with the Constitution, Code of Conduct or Rules. An organisation's or individual's status as a Member should not be relied upon as an indication of the organisation's or individual's ability to comply with the Constitution, Code of Conduct or Rules and should not be used as a basis for or replacement of any decision-making policies and procedures.

2.6.2 AWEX excludes liability for any decision made in reliance of an organisation's or individual's status as a Member. AWEX excludes all liability for all claims, expenses, losses, damages and costs made against or incurred or suffered directly or indirectly (including without limitation, lost revenue and lost profits) arising out of such reliance.

3. BUSINESS RULES

3.1 GENERAL MEMBERSHIP RULES

3.1.1 Members must comply with the:

- (a) Constitution;
- (b) Code of Conduct and
- (c) Rules.

3.1.2 Members must:

- (a) take all reasonable steps to ensure that AWEX is kept informed of any change in the nature and scope of the Members' business that is likely to be relevant to the operations of AWEX;
- (b) advise AWEX of any circumstance that may have an adverse effect on the continuing ability of Members to comply with the Constitution, Code of Conduct and the Rules;
- (c) ensure that their Related Bodies Corporate observe the Rules;
- (d) where Members sell wool, ensure that all requirements in the Rules relating to clip preparation and packaging, product description and bale brands, descriptions and identification marks are observed by all parties, whether acting as principals or agents, involved in the preparation and sale of that wool.

3.1.3 Only Trading Members may have direct access to Trading Platforms for buying or selling wool.

Fees and Charges

3.1.4 When wool is offered for sale through a Trading Platform by a Member or a Related Body Corporate of a Member, that Member must pay any Trading Fee charged by AWEX from time to time.

3.1.5 Members must pay to AWEX the amount payable in Trading Fees no later than 21 days after the end of the month in which the transactions subject to Trading Fees occurred.

3.1.6 AWEX may require Members to pay interest on late payments of Trading Fees at the 30 day bank bill swap rate published by AWEX' bankers, plus 2%.

3.1.7 AWEX may charge a fee for the services it provides. Where fees apply, Members using the services must pay the relevant fees.

3.1.8 Members resigning from membership of AWEX must pay all outstanding fees or other debts owed to AWEX prior to the resignation taking effect. Resignation does not eliminate Members' responsibilities to pay outstanding fees or debts.

Financial and Compliance Capacity

3.1.9 The Chief Executive Officer may at any time request that a Member provide any information the Chief Executive Officer considers necessary

to demonstrate that Member's capacity to comply with the Constitution, Code of Conduct or Rules.

- 3.1.10 Where the Chief Executive Officer has reason to suspect a Member may be unable to comply with the Constitution, Code of Conduct or Rules, the Chief Executive Officer will treat the issue as a potential breach of the Rules and will investigate the matter in accordance with the procedure outlined in **clause 3.4** relating to breaches of Rules.

3.2 WOOL TRADING RULES

3.2.1 Members wishing to use Trading Platforms must comply with all reasonable directions given by AWEX relating to those platforms, and any relevant directives of NASC.

3.2.2 Members selling wool must abide by any directive of AWEX staff, or authorised representatives, to ensure compliance with any rules which are directly or indirectly necessary to ensure the integrity of the wool offered for sale.

3.2.3 If a ruling is required to be made under the Rules, that ruling:

- (a) will be made:
 - (i) by a person authorised by AWEX to make such rulings; and
 - (ii) according to the procedures determined by the authorised person; and
- (b) will be accepted and followed by the relevant parties.

3.3 INFORMATION

3.3.1 Seller Members must provide to AWEX any information requested by AWEX that will enable AWEX to ascertain whether a clip or lot has been prepared in accordance with rules relating to industry clip preparation standards.

3.3.2 If AWEX requests a Member to provide information which is reasonably required for the operation of AWEX, the Member must provide that information and AWEX will not disclose information which is considered confidential by AWEX unless required by law or the rules.

3.4 REVIEW OF DECISIONS AND SANCTIONS

Establishment and Jurisdiction of the Review Committee

3.4.1 The Board will establish a Review Committee which will consist of a Director and two individuals nominated by the Board who are Members or Members' employees.

3.4.2 The Review Committee will:

- (a) review any decision under which an aggrieved person (including a non-Member) claims to have been:

- (i) denied membership or been excluded from membership of AWEX;
- (ii) charged a joining, membership or transaction fee that is higher than the fee normally charged to a person carrying on a similar business;
- (iii) denied access or provided access at an unreasonable price, to information provided by AWEX;
- (iv) denied access to the data communication system set out in the WIEDPUG Handbook;
- (v) denied access to auction rooms under the control of AWEX; or
- (vi) unreasonably disadvantaged by proposed amendments to industry codes of conduct or industry standards introduced by AWEX;

and

- (b) hear referrals to it under clause 3.4.6.

Breaches of Rules

3.4.3 A suspected breach by a member of the Code of Conduct or Rules may be investigated in accordance with the procedures set out in these Rules if:

- (a) the Chief Executive Officer, acting reasonably, suspects a breach of clause 2.1.1 of the Code of Conduct (deemed complaint); or
- (b) a complaint is made to AWEX by a member or non-member.

3.4.4 The Chief Executive Officer will:

- (a) obtain written particulars of the complaint;
- (b) make such other enquiries considered appropriate; and
- (c) decide to take no further action; or
- (d) send particulars of the complaint to the Member and ask that Member to comment in writing on the complaint within 14 days.

3.4.5 In its reply to a request under clause 3.4.4(d) the Member may:

- (a) deny the accuracy of the complaint; or
- (b) admit the breach and advise the Chief Executive Officer of measures it is taking to rectify the breach and ensure non-repetition.

3.4.6 If the Chief Executive Officer is not satisfied with the Member's reply or the Member does not reply within 14 days and the Chief Executive Officer considers that it is in the interests of AWEX, the Chief Executive Officer will;

- (a) refer the complaint to the Review Committee; and
- (b) notify the Member if the matter is to be so referred including the following details;
 - (i) particulars of the section of the Code of Conduct or Rule or Rules which are alleged to be breached;
 - (ii) particulars of the complaint on which reliance is placed;
 - (iii) the date on which the complaint will be heard; and
 - (iv) particulars of the sanctions that may be applied under the section of the Code of Conduct or Rule.

3.4.7 If the Review Committee finds a Member has breached a section of the Code of Conduct or Rule or Rules it may:

- (a) find the breach requires no action to be taken;
- (b) reprimand the Member;
- (c) recommend to the Board that the Member be suspended from using some or all of the facilities of AWEX for a specified period;
- (d) recommend to the Board that the Member be expelled from membership of AWEX;
- (e) impose a fine upon the Member in accordance with clause 3.4.8; or
- (f) impose any other sanction it deems appropriate.

Prescribed Fines

3.4.8 The maximum fine which the Review Committee or the Appeals Committee may impose upon a Member under clause 3.4.7(e) is prescribed by Schedule 1 to these Business Rules as adjusted by clause 3.4.9.

3.4.9 The amounts set out in Schedule 1 to these Business Rules will increase annually on 30 June calculated from 2005 to the year in which the Member's breach occurred by a percentage equivalent to the CPI (Sydney all groups) published in the quarter immediately preceding the Member's breach.

3.4.10 When determining the amount of a fine the Review Committee and the Appeals Committee must consider:

- (a) the number of breaches of the section of the Code of Conduct or Rules which are the subject of the hearing that the Review Committee or Appeals Committee finds the Member has committed within a three year period;
- (b) the category of offence, as defined by Schedule 2 of these Business Rules; and

- (c) any mitigating or aggravating circumstances of the Member's breach of the rule the Review or Appeals Committee considers should be taken into account.

Review of Decisions

- 3.4.11 If a decision is made by either the CEO or the Review Committee in relation to a suspected breach under clause 3.4.3 or a matter referred under clause 3.4.6 it may be subject to review, at the written request of the person or body the subject of the decision (complaint).
- 3.4.12 The Chief Executive Officer will:
 - (a) obtain written particulars of the complaint;
 - (b) make such other enquiries he or she considers appropriate; and
 - (c) refer the matter to the person or body that made the decision of which the complaint is made ('Decision') and ask that person or body to reconsider the Decision in the light of the complaint.
- 3.4.13 If the person or body that made the Decision confirms the Decision or fails to amend the Decision in a way acceptable to the aggrieved person, the decision maker will refer the complaint. If the decision maker was the Chief Executive Officer he will refer the complaint to the Review Committee and if the decision maker was the Review Committee, it will refer the complaint to the Appeals Committee.
- 3.4.14 If the Review Committee or Appeals Committee as the case may be considers the Decision was made with the purpose of unreasonably disadvantaging or discriminating against a person or group of people it will recommend to the Board that the Decision be revoked or amended.
- 3.4.15 If the person who made the Decision was the Chief Executive Officer, the Chairman will appoint a person to act in the place of the Chief Executive Officer for the purposes of this rule.

Establishment and Jurisdiction of the Appeals Committee

- 3.4.16 The Board will appoint an Appeals Committee consisting of:
 - (a) a chairperson nominated by the Australian Commercial Disputes Centre ('Appeals Committee Chairperson'); and
 - (b) two individuals nominated by the Board who possess skills relevant to the nature of the appeal.
- 3.4.17 An appeal may be made to the Appeals Committee by:
 - (a) a Member whose conduct has been referred to the Review Committee under clause 3.4.6 and who disagrees with the decision of the Review Committee;
 - (b) AWEX if it disagrees with a decision of the Review Committee;
 - (c) an aggrieved person who has sought a review under clause 3.4.2(a);

- (d) a Woolclasser who has been notified by AWEX that he or she is required to undertake retraining; and
- (e) a Woolclasser or Classing House that has been deregistered as a result of a decision of AWEX.

3.4.18 Any notice of appeal:

- (a) must be lodged at AWEX's registered office within 28 days after:
 - (i) the Review Committee providing notification of its decision to the appellant; or
 - (ii) the event giving rise to the appeal; and
- (b) must specify the basis on which the appeal is made.

3.4.19 The Appeals Committee will consider the appeal within 28 days of lodgement and may:

- (a) uphold the appeal;
- (b) dismiss the appeal; or
- (c) vary the sanctions or recommendations imposed by the Review Committee.

3.4.20 The decision of the Appeals Committee under clause 3.4.19 will be final.

Suspension or Expulsion of a Member

3.4.21 If:

- (a) the Review Committee recommends that a Member be suspended or expelled from AWEX and no appeal is made from that recommendation; or
- (b) the Appeals Committee recommends or upholds a recommendation that a Member be suspended or expelled from AWEX,

the Chief Executive Officer will:

- (c) place the recommendation before the Board at a Directors' meeting; and
- (d) inform the affected Member of when the Board will meet to consider the recommendation and that the Member may appear before the Board on that day and address the Board in relation to the recommendation.

3.4.22 Before deciding whether or not to accept a Review Committee or Appeals Committee recommendation, the Board will provide an opportunity for the affected Member to address the Board.

3.4.23 The decision of the Board under clause 3.4.22 will be final.

Confidentiality

- 3.4.24 Complaints against Members will be dealt with in confidence unless it is necessary to divulge material for the purpose of obtaining information or assistance for the purposes of any inquiry; but the Review Committee or Appeals Committee may publish its findings and any sanction imposed or recommendation made by it as it sees fit.

Costs

- 3.4.25 Costs incurred in retaining the Appeals Committee Chairperson will be borne equally by AWEX and the Member defending the complaint unless the complaint is dismissed or the decision of AWEX giving rise to the appeal is reversed, in which case AWEX will bear the cost.

Legal Representation

- 3.4.26 Legal representation before the Review Committee or Appeals Committee may be permitted by the relevant committee in those exceptional circumstances when that committee considers it necessary to do so to accord the parties natural justice.

Procedure

- 3.4.27 The Review Committee or Appeals Committee may determine the procedures to be followed by those committees in relation to a particular complaint or complaints generally.
- 3.4.28 Details of the procedures to be followed by the Review Committee or Appeals Committee will be provided to each person whose activities are to be investigated by that committee.

3.5 ARBITRATION

- 3.5.1 If a dispute or difference arises out of or in connection with an agreement or a contract under which the parties have agreed to submit such disputes to arbitration then:
- (a) either party may give written notice of the dispute to the other party at the address of the other party as stated in the agreement or contract; and
 - (b) if the dispute is not resolved within 28 days following delivery of the notice of dispute, it will be arbitrated in accordance with this clause 3.5 unless the parties agree in writing to some other course.
- 3.5.2 The parties may, within a further period of 28 days, by agreement nominate an arbitrator and request him or her to proceed with the arbitration in accordance with this clause 3.5.
- 3.5.3 If the parties have not resolved the dispute in accordance with clause 3.5.1(b) and have not agreed upon an arbitrator in accordance with clause 3.5.2 then either party may request in writing that the Chief Executive Officer nominate an arbitrator and with such request submit to the Chief Executive Officer:
- (a) the names in full description and addresses of the parties;
 - (b) a copy of the notice of dispute;

- (c) a general description of the dispute including the major issues; and
 - (d) a copy of the contract or other document(s) containing the agreement to arbitrate.
- 3.5.4 Within 28 days of receipt of a request for arbitration under clause 3.5.3 the Chief Executive Officer will approach the Institute of Arbitrators and Mediators Australia to nominate an arbitrator. The Chief Executive Officer will then inform the parties of the nomination.
- 3.5.5 Except where they conflict with this clause 3.5 the Rules for the Conduct of Commercial Arbitrations published by the Institute of Arbitrators and Mediators Australia constitute the remainder of the rules for arbitration.

SCHEDULE 1 TO THE BUSINESS RULES

MAXIMUM FINES UNDER CLAUSE 3.4.8

Category	First Offence	Second Offence	Third Offence
I	\$5,000	\$10,000	\$20,000
II	\$2,500	\$5,000	\$10,000

SCHEDULE 2 TO THE BUSINESS RULES

CATEGORIES OF OFFENCES UNDER CLAUSE 3.4.10

Category	Description
I	Breach of Code of Conduct which may bring AWEX or its Members into disrepute.
II	Breach of Business Rules which interferes or is likely to interfere with the efficient transfer of ownership of wool.