



**THE SUSTAINABLE
FIBRE ALLIANCE**

Corporate Governance Policy

Version 5.0

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1. INTRODUCTION

This Governance Policy is intended to clarify the content of the Sustainable Fibre Alliance's (SFA's) constitution by making explicit the underlying principles of governance approved by the organisation.

The SFA's Governance Policy is concerned with the systems and processes that ensure the overall direction, effectiveness, supervision and accountability of an organisation.

Board members take ultimate responsibility for the governance of their organisations.

However, governance is not a role for Boards and Board members alone. Governance is also concerned with the way Boards work with Chief Executives and staff, contractors, volunteers, service users, members and other stakeholders to ensure the organisation is effectively and properly run and meets the needs and objectives of which the organisation was set up.

The SFA was established under a Memorandum of Association, which sets out its objects and powers, and is governed under its Articles of Association. The Board of Trustees is the governing body of the organisation and has legal, financial and managerial responsibility for the charity. The SFA's Board seeks to instil a strong governance culture throughout the SFA. The Board believes that a strong governance culture will improve the effectiveness and accountability of the SFA and will therefore improve performance and increase the SFA's ability to achieve its mission going forward.

This policy does not cover legal or ethical issues concerning the role of the Board or its members, which are addressed separately elsewhere.

2. ABOUT US - Vision, Mission, Values

The Sustainable Fibre Alliance is a not-for-profit, international organisation that promotes global sustainability standards for the production of cashmere and other wool fibres. This is in order to restore and manage damaged grasslands (specifically in Mongolia and China) and ethically transform the complex supply chain of fibre from herders to retailers.

Our Vision is to be the leading voice for sustainability in the cashmere industry and to create a fully traceable and value added supply chain, where each stakeholder understands and follows Codes of Practices that ensure the sustainability of cashmere production.

Our Mission is to achieve lasting change in the environment and improve herding communities' livelihood and also elevate/enhance sustainably produced cashmere's position in the marketplace as a luxury commodity.

Our Values underpin all that we do and govern our external and internal behaviour. These values are set out below:

Expertise

We have a unique perspective of the sector as a platform of diverse, competent partner organisations with highly skilled and experienced key staff. This gives us an unparalleled depth of knowledge in: resilience building with local communities and institutions; livestock management; animal welfare; market connections and demand; environmental research; biodiversity conservation and a depth of knowledge regarding an understanding of the unique development challenges facing

Mongolia, China and Central Asia. This expertise, commitment and enduring partnerships provide a foundation of trust in empowering people to achieve our shared sustainability vision (from production to consumption) for the cashmere sector.

Fairness

We must always act in an independent way with integrity and free from any bias or conflict of interest (actual or perceived). We value diversity and treat each other and our external stakeholders with the utmost fairness.

Openness

We are committed to act in an open and transparent way, promoting and sharing good practice, just as we are putting greater emphasis on ensuring that the stakeholders that we work with are open and transparent. We endeavour to adopt new collaborative ways to achieve our shared sustainability vision and common goals.

Ethical and responsible

We observe and respect interests of all members of our stakeholders and act ethically and responsibly throughout the SFA in all of our operations.

Clarity

We need to ensure that all those who interact with us are clear about what they need to do. We need to be clear and timely in our development to delivery actions, explaining the direction of our travel and reporting back success stories from a grassroots level.

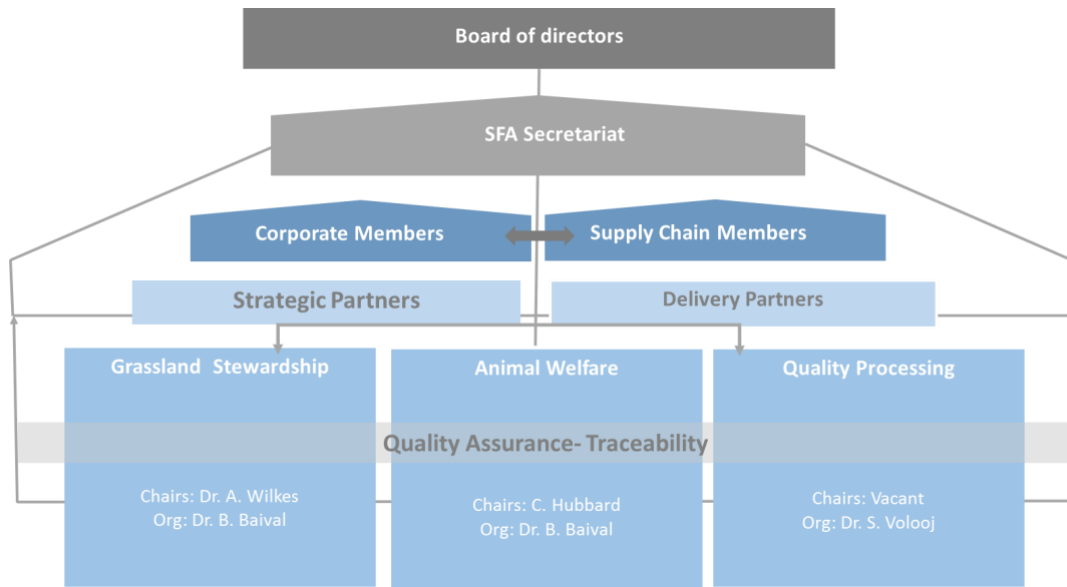
Accountability

We value our accountability for the development to delivery actions we make, the way in which we carry out work and how we use funding donations. This mirrors our increased expectations of accountability of our funding partners. Internally we implement internal control policies (financial management control, communications, values and ethics, HR, privacy, etc.) and above all we will trust each other to make decisions in good judgment, be accountable for our work and provide each other with support.

3. CORPORATE GOVERNANCE FRAMEWORK

The 'SFA' is a secretariat and a 'guardian' of the Code of Practices as part of its Sustainability Standard and to ensure its proper implementation. This includes the credibility of the field data collected, the quality of the training conducted and in providing various other 'enabling' functions.

SFA Governance Structure



SFA Key Stakeholders

Corporate Members	Funding brands and retailers - A key stakeholder group, who as members and through SFA board representation, approve our work programmes and plans as developed by the SFA executive in line with the organisation’s vision and mission statement.
Supply Chain (Future) Members	Herdors, farmers and others in the cashmere production supply chain who benefit from SFA activities , particularly in the development, implementation and monitoring of standards. Manufacturers, Producers, Brands/Retailers who are supportive of SFA ambitions and are able to benefit from consistency of product driven by SFA activity.
Strategic Partners	International organisations, NGOs and civil society organisations , who contribute to our strategic planning cycle where through improved dialogue and cooperation we take account of complimentary activities to avoid duplication of efforts. This is particularly relevant in the development, implementation and monitoring of our Codes of Practice and Standards.
Delivery Partners	<ul style="list-style-type: none"> - To support and implement our Code of practices - To provide field data and information, learning, monitoring and technical support, etc. - To provide education and training delivery at regional level - To facilitate, promote and advocate on guidelines and standards (the Grassland Stewardship, Animal Welfare, Quality Processing agenda, etc.)

The SFA’s Board recognises that a company’s system of corporate governance must first of all be tailored to ensure it suits the SFA and must also be a dynamic system that evolves with the changing circumstances of the company itself.

The Board will periodically review the SFA’s corporate governance principles to ensure that they remain applicable, appropriate and useful, practically.

Key partners of the SFA are governed by a respective, evolving Memorandum of Understanding (MOU) and Terms of Reference (TOR). Key partners include:

- Corporate members
- Supply chain members
- Strategic partners

Implementation of the SFA's Standard and of our monitoring and evaluation expectations via external third-party partners (selected through competitive tendering) is important. Our partners follow a contractual agreement of delivery for:

- Training and development
- Environmental assessment
- Monitoring and evaluation
- Other applicable delivery of services

Participating herders and herder cooperatives are governed by agreement and to be accredited as per Codes of Practice.

The SFA will provide representative seats to its corporate members on its Board for formal representation. The Board representation, governance structure and voting are to maintain a balance of power and influence over the SFA's charitable aims and objectives.

The Board acknowledges that it is responsible for the internal control framework of the SFA and it maintains oversight on the strategic direction and the core policies of the organisation, and its operational systems. It recognises that no cost-effective internal control system will prevent all errors and irregularities or necessarily prevent fraud but an effective corporate governance system will help reduce these risks while also optimising the services that the SFA provides. The system is based upon written procedures, policies and guidelines and organisational structures that provide an appropriate division of responsibility, and the careful selection and training of qualified personnel. Where individual Board members do need to become involved in operational matters, they should separate their strategic role (where they operate independently of any direction) from their operational role (where they act under the direction of management).

3.1 Roles and Responsibilities

The Board as a whole is constituted to be strong in its collective knowledge of: accounting and finance, management and leadership, vision and strategy, business operations, business judgment, crisis management, risk assessment, industry knowledge, corporate governance and global markets. It shall be the responsibility of the Board to establish and maintain policies and procedures, and systems of financial control, internal control and performance reporting.

It shall be the responsibility of the Board to clearly define, separate and delegate the functions of sub-committees, Officers, the Chief Executive Officer, and other staff and agents.

The SFA believes a Board comprised of individuals with diverse attributes and backgrounds enhances the quality of its deliberations and decisions. The diversity of viewpoints, educational backgrounds, and differences of professional experiences and expertise represented on the SFA's Board evidences diversity in many respects. This diversity, coupled with the personal and professional ethics, integrity and values of all of our directors/trustees, provides the Board with a breadth and level of experience with which to guide the SFA through thoughtful, considered and sound business judgment.

3.1.1 The Board - constitution, conduct and meetings

The Board

The function of the SFA Board is to collectively ensure the delivery of the SFA's objectives, to set its strategic direction, and to uphold its values. The Board should collectively be responsible and accountable for ensuring and monitoring that the organisation is performing well, is solvent, and is complying with all its legal, financial, and ethical obligations.

Members of the Board of trustees are directors for the purposes of company law and trustees for the purposes of charity law.

Please refer to the SFA's Articles of Association for comprehensive rules and procedures governing board functions. These concern: board scope and powers, remuneration, board members retirement and appointment/selection, disqualification and removal of directors, votes of members, written resolutions, dispute resolution, etc.

Responsibilities of the Board

- i) Consideration and approval of corporate strategy proposed by the CEO and monitoring its implementation
- ii) Providing input into, and final approval of, management's development of corporate strategy, programs, policies and performance objectives
- iii) Overseeing the Company, including its control and accountability systems; approving all mergers and the establishment of controlled entities
- iv) Approving and overseeing/monitoring financial and other reporting to stakeholders and employees
- v) Ensuring that the SFA has appropriate financial and physical resources to execute its strategies
- vi) Appointing, removing and monitoring the performance of the CEO including determining the remuneration for the position
- vii) Appointing and removing the Company Secretary
- viii) Reviewing the effectiveness of the SFA's policies and procedures regarding risk management, internal control and accounting systems
- ix) Ensuring appropriate corporate governance structures are in place including standards of ethical behaviour and a culture of corporate and social responsibility

SFA's Articles of Association stipulate that the Board shall comprise of a minimum of 4 members. A maximum number is not stipulated and the majority of members are to be independent, non-executive directors.

The Board, at the last date of review of this document, comprises eight members. Its Directors/Trustees come from a variety of business and professional backgrounds and bring to the SFA Board diverse skills and expertise relevant to enabling the SFA in achieving its goals.

Current Board of Directors/Trustees:

- Charles Hubbard**, Board Chair, UK
- Andreas Wilkes**, Values for Development, UK
- Simon Cotton**, Johnstons of Elgin, UK
- Ruchira Joshi**, Sustainable Trade Initiative (IDH), UK
- Eleni Thrasyvoulou**, Burberry, UK
- Una Jones**, CEO of the SFA

The Board of SFA is an elective, representative, and collective body

- It is elective, in that Board members are selected through an election process
- It is representative, in that no member can be mandated by their constituency to adopt a particular position if they do not believe it to be in the best interests of the organisation. Whatever the constituency of any member, all members are committed to acting selflessly

and it is a legal duty to make decisions and vote on governance decisions solely in the best interests of the SFA.

- It is collective, in that, while each member should put across the point of view of their constituency, and each member has the right to argue for their own point of view and to vote for that position, once a collective decision has been taken Board members are required to support that decision.

The responsibilities of the Board cannot be delegated to any other person or body include:

- Compliance monitoring – ensuring compliance with the objects, purposes and values of the organisation, and with its constitution
- Organisational governance – setting or approving policies, plans and budgets to achieve those objectives, and monitoring performance against them
- Strategic planning – reviewing and approving strategic direction and initiatives
- Regulatory monitoring – ensuring that the organisation complies with all relevant laws, regulations and regulatory requirements
- Financial monitoring – reviewing the organisation’s budget, monitoring management and financial performance to ensure the solvency, financial strength and good performance of the organisation
- Financial reporting – considering and approving annual financial statements and required reports to government
- Organisational structure – setting and maintaining a framework of delegation and internal control
- Leadership selection – selecting, evaluating the performance of, rewarding and, if necessary, dismissing the organisation’s Chief Executive Officer (CEO)
- Succession and remuneration planning – planning for Board, CEO and executive succession, and determining senior management remuneration
- Risk management – reviewing and monitoring the effectiveness of risk management and compliance in the organisation; approving all policies and decisions on matters which might create a significant risk to the organisation, financial or otherwise
- Dispute management – dealing with and managing conflicts that may arise within the organisation, including conflicts arising between Board members, staff, the CEO, members, volunteers, contractors or service users.
- Social responsibility – considering the social, ethical and environmental impact of all activities and operations and ensuring that these are acceptable
- Board performance and composition – continually evaluating and improving the performance of the Board

Conflict of Interest

The SFA legally requires its Board members to act in the SFA’s best interests and trusts their integrity and good professional and ethical judgment.

The SFA’s Board members must not put themselves in any position where their duties to the SFA may conflict with any personal interest they may have (both actual and perceived) and they must also be aware of their responsibilities to declare any potential conflicts of interest if they arise, so that they can be considered and managed effectively by the SFA. This is a continued responsibility and obligation. Please refer to the SFA’s Conflict of Interest Policy and specific Board Guidance supporting document for further reference.

3.1.2 Role of the Board Chair

The Board Chair is responsible for effectively and accurately representing the views of the Board in:

- Directing the SFA's strategic development, policies and plans
- Ensuring the SFA:
 - Effectively fulfils its objectives, general functions and duties appropriately
 - Realises the Board's strategies and plans for the future
 - Delivers its services in line with agreed targets and performance indicators
- Jointly with the Chief Executive, communicating the SFA's plans and achievements to stakeholders
- Ensuring that Board members operate in accordance with governance best practice as per the Code for the Voluntary and Community Sector
- Advising the SFA on the appointment of Board members and ensuring their effective induction and support
- Ensuring compliance and maximising Board effectiveness, individually and collectively;
- With Board members, establishing, monitoring and reviewing governance structures, systems and processes
- Directing, supporting and managing the CEO, including agreeing on objectives and undertaking an annual appraisal, following consultation with other Board Members

3.1.3 Role of the Chief Executive and Senior Management Team

The Chief Executive Officer (CEO) is appointed by the Board.

The CEO has delegated authority for the day-to-day management of the SFA in accordance with the SFA's policies and within the direction of the Board.

The CEO is responsible for leading the Senior Management Team, staff and contractors in:

- Developing and implementing programs and policies for the achievement of the SFA's objectives;
- Developing plans, programs, and policies for Board approval
- Implementing organisational strategies and making recommendations to the Board on significant strategic initiatives
- Making recommendations for the appointment of staff, determining terms of appointment, evaluating performance and developing and maintaining succession plans for staff
- Developing the annual budget and managing day-to-day operations within the budget
- Maintaining an effective risk management framework, acting within the levels of authority delegated by the Board, escalating any high risk and/or high-impact issues for the timely attention and consideration of the Board
- Advising the Board on the most effective organisational structure needed for the achievement of the SFA's objectives
- Appointing, subject to Board approval, senior executives
- Endorsing the terms and conditions of appointment of all other staff members
- Keeping the Board and key stakeholders informed about SFA's plans, achievements and any developments with a material impact on the organisation's performance
- Supporting the Board in fulfilling their role and responsibilities as set out in this governance framework
- Managing day-to-day operations in accordance with agreed standards for social, ethical and environmental practices

- Ensuring compliance with statutory requirements, policy, standards and procedures;
- Maintaining effective and positive relationships with the Board, staff, contractors, government agencies, shareholders and other key stakeholders;
- Collaborating with other initiatives, developing a collaborative framework and identifying partnership and recognition agreements with various other responsible sourcing programs

4. IMPLEMENTATION OF GOVERNANCE PROCEDURES

4.1 Internal controls

- The Board should set and maintain policies and procedures and systems of financial control, internal control and performance reporting. The Board should ensure that there is a system for the regular review of the effectiveness of its financial control, internal control, performance reporting, and policies and procedures.
- A copy of all Codes of Conduct is available on the SFA's website.

4.2 Communication

- The SFA has implemented a formal Communications Strategy designed to promote effective communication with shareholders and stakeholders.
- The Communications Strategy includes the continuing publication of timely information through the SFA's Annual Report.
- The Communications Strategy is available on the SFA's website.

4.3 Managing risk

- The Board should undertake a full risk assessment (either periodically or on a rolling basis) and take appropriate steps to manage the organisation's exposure to significant risks.
- The Board shall establish the risk management and internal control system for the oversight and management of the SFA's business risks and report on whether those risks are being managed effectively. The Board should also disclose whether management has reported on the effectiveness of the SFA's management of its business risks and take action to mitigate risks identified.

4.4 Respect the rights of stakeholders

- The SFA promotes proactive and effective communication with all stakeholders. In doing so, the SFA encourages participation in stakeholder consultations and supply chain engagement events and empowers marginalised groups to level the playing field. The SFA recognises that its stakeholders have a similar need for information concerning the SFA and also an interest in how the SFA achieves its goals.

4.5 Board review

- The Board should ensure that there is a system for the regular review of its effectiveness in meeting its responsibilities.
- The SFA has implemented a Risk Management Policy and Framework, and a Fraud Control Plan, reviewed on an annual basis.

5. OTHER Related Corporate Governance Documents

- Financial Control Policy
- Communications Policy
- Recruitment Policy
- Conflict of Interest Policy and Board Guidance

AUTHORISATION

	<Signature>	<Date>
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Andreas Wilkes	<.....>	<.....>
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