

# **MAGNETIC RESOURCES NL**

ACN: 121 370 232

## **Corporate Governance Manual**

## Table of contents

1	Overview of Corporate Governance Manual .....	2
2	The Board Function: Board Charter .....	3
3	The Board Function: Policy for Assessment of Independence.....	9
4	The Board Function: Board Evaluation Policy .....	10
5	The Board Function: Policy for Independence of Professional Advice.....	11
6	Code of Conduct .....	12
7	Share Trading Policy.....	13
8	Audit and Risk Management Function: Audit and Risk Management Committee Charter .....	16
9	Nomination Function: Nomination Committee Charter .....	19
10	Remuneration Function: Remuneration Committee Charter .....	21
11	Shareholder Communication Policy .....	23
12	Disclosure Policy .....	24
13	Diversity Policy .....	27
14	Website summary: Corporate Governance Policies .....	29
15	“If Not Why Not” statement – example.....	32

# 1 Overview of Corporate Governance Manual

1.1 The need for ASX listed companies to implement and practice good corporate governance is entrenched in Australian corporate activity. There is no prescriptive, legislative approach but instead, ASX listed companies are required to explain why they choose to depart from the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations as at January 2011, which form Appendix 9A to the ASX Listing Rules ("ASX Principles and Recommendations") at [www.asx.com.au](http://www.asx.com.au). The Company, will, in the corporate governance statement section of its Annual Report, include the recommended information set out in the ASX Corporate Governance Principles in relation to the Guide to reporting on the ASX Principles and Recommendations. The "if not why not" disclosures made by a company on its website and in its annual reports provide a guide to investors and regulators about the approach taken by the company to corporate governance.

1.2 This manual provides guidance and structure for the following areas of corporate governance practices consistent with the ASX Principles and Recommendations:

The Board Function (comprises Board Charter, Policy for Assessment of Independence, Board Evaluation Policy and Policy for Independence of Professional Advice)

Code of Conduct

Share Trading Policy

Audit and Risk Management (comprises Audit and Risk Committee Charter)

Nomination (comprises Nomination Committee Charter)

Remuneration (comprises Remuneration Committee Charter)

Shareholder Communication Policy

Continuous Disclosure Policy

Diversity Policy

1.3 This Company will provide an "if not why note" disclosure to explain if the Company does not comply with the ASX Principles and Recommendations, then why not.

## **2 The Board Function: Board Charter**

The Board Charter summarises the role and responsibility of the Board of the Company. The roles and responsibilities of the Board will evolve as the Company moves forward. A regular review of the balance of responsibilities will ensure that the division of the functions remains appropriate to the needs of the Company. The Board Charter broadly addresses each of the ASX Principles and Recommendations in sequence.

2.1 The Board's key objectives are to:

2.1.1 increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders; and

2.1.2 ensure the Company is properly managed.

2.2 The Board has primary responsibility to shareholders for the welfare of the Company by guiding and monitoring the business and the affairs of the Company and determining the vision and objectives of the Company.

2.3 The Company recognises the importance of the Board in providing a sound base for good corporate governance in the operations of the Company.

2.4 The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to the Company.

2.5 The Board will at all times act in accordance with all relevant Company policies.

2.6 Each of the directors, when representing the Company, must act in the best interests of shareholders of the Company and in the best interests of the Company as a whole.

2.7 The Board is responsible for the following matters:

2.7.1 ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;

2.7.2 development of corporate strategy, implementation of business plans and performance objectives;

2.7.3 reviewing, ratifying and monitoring systems of risk management, codes of conduct, internal control system and legal and regulatory compliance;

2.7.4 the appointment of the Company's Managing Director, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives;

- 2.7.5 monitoring senior executives' performance and implementation of strategy;
  - 2.7.6 determining appropriate remuneration policies;
  - 2.7.7 allocating resources and ensuring appropriate resources are available to management;
  - 2.7.8 approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
  - 2.7.9 approving and monitoring financial and other reporting.
- 2.8 The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's business. The Chairman should facilitate the effective contribution of all directors and promote constructive and respectful relations between directors and between the Board and management of the Company. The Chairman is responsible for briefing directors on issues arising at Board meetings and ultimately is responsible for communications with shareholders and arranging Board performance evaluation.
- 2.9 The Managing Director or Chief Executive Officer is responsible for running the affairs of the Company under delegated authority from the Board. In carrying out his or her responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.
- 2.10 The Company Secretary is responsible for monitoring the extent that Board policy and procedures are followed, and coordinating the timely completion and despatch of Board agendas and briefing material. All directors are to have access to the Company Secretary.
- 2.11 The Chairman and/or the Managing Director are responsible for reviewing the performance of each executive at least once every calendar year with reference to the terms of their employment contract, in accordance with the Company's Board Evaluation Policy.
- 2.12 The Company will ensure that the Board will be of a size and composition that is conducive to making appropriate decisions and be large enough to incorporate a variety of perspectives and skills in accordance with the Company's Diversity Policy, and to represent the best interests of the Company as a whole rather than of individual shareholders or interest groups. It will not, however, be of such a size that effective decision-making is hindered.
- 2.13 The Company will regularly review whether each non-executive director is independent and each non-executive director should provide to the Board all information that may be relevant to this assessment, in accordance with the Company's Policy for Assessment of Independence and Policy for Independence of Professional Advice.
- 2.14 The Board will establish a Nomination Committee pursuant to the Nomination Committee Charter.
- 2.15 In support of their candidature for directorship or re-election, non-executive directors should provide the Nomination Committee with details of other commitments and an indication of time available for the Company. Prior to appointment or being submitted for re-election non-executive directors should

specifically acknowledge to the Company that they will have sufficient time to meet what is expected of them. Re-appointment of directors is not automatic.

- 2.16 The Board will implement an induction program to enable new directors to gain an understanding of:
- 2.16.1 the Company's financial, strategic, operational and risk management position;
  - 2.16.2 the rights, duties and responsibilities of the directors;
  - 2.16.3 the roles and responsibilities of senior executives; and
  - 2.16.4 the role of any Board committees in operation.
- 2.17 Directors will have reasonable access to continuing education to update and enhance their skills and knowledge, including education concerning key developments in the Company and in the industries in which the Company's business is involved.
- 2.18 The Board has the right to obtain all information from within the Company which it needs to effectively discharge its responsibilities.
- 2.19 Senior executives are required on request from the Board to supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions.
- 2.20 The Board will adopt and implement the Company's Code of Conduct to promote ethical and responsible decision making by directors, management and employees. The Code embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity.
- 2.21 The Board is responsible for ensuring that training on the Code of Conduct is provided to staff and officers of the Company.
- 2.22 The Board is responsible for making advisers, consultants and contractors aware of the Company's expectations set out in the Code of Conduct.
- 2.23 The Board will adopted and implement the Company's Share Trading Policy in relation to trading in the Company's securities by directors, senior executives and employees.
- 2.24 The Board is responsible for ensuring that the Share Trading Policy is brought to the attention of all affected persons and for monitoring compliance with the policy.
- 2.25 The Board will establish an Audit and Risk Management Committee pursuant to the Audit and Risk Management Committee Charter.
- 2.26 The Audit and Risk Management Committee's mandate is to review the integrity of the Company's financial reporting, oversee the independence and competence of the external auditors and review

management's implementation of the Company's risk management policies. Members of the Audit and Risk Management Committee are directors of the Company appointed by the Board and the committee is structured as follows:

2.26.1 consists only of non-executive directors unless the Chairman is an executive director in which case it may include the Chairman;

2.26.2 is chaired by a non-executive director who is not Chairman of the Board; and

2.26.3 has at least three members (or less, if there are less than three non-executive directors appointed to the Board).

2.27 The Board will adopt and implement a Continuous Disclosure Policy for ensuring timely and accurate disclosure of price-sensitive information to shareholders through the ASX, and ensuring that:

2.27.1 all investors have equal and timely access to material information concerning the Company including its financial position, performance, ownership and governance; and

2.27.2 Company announcements are subjected to a vetting and authorisation process designed to ensure they:

(a) are released in a timely manner;

(b) are factual;

(c) do not omit material information; and

(d) are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

2.28 The Board will be committed to open and accessible communication with holders of the Company's shares and other securities. Disclosure of information and other communication will be made as appropriate by mail or email.

2.29 The Company's website will also be used to provide additional relevant information to security holders. The Board considers the following to be appropriate features for the Company's website:

2.29.1 placing the full text of notices of meeting and explanatory material on the website;

2.29.2 providing information about the last 3 years' press releases or announcements plus at least 3 years of financial data on the website; and

2.29.3 providing information updates to security holders on request by email.

2.30 The Company is committed to improving shareholder participation in general meetings. In order to achieve that objective, the Board will adopt the Shareholder Communication Policy with the objective of improving shareholder participation through the design and content of notices and through the conduct of meetings.

- 2.31 The Board has established an Audit and Risk Management Committee pursuant to the Audit and Risk Management Committee Charter, whose mandate is to review the integrity of the Company's financial reporting, oversee the independence and competence of the external auditors and review management's implementation of the Company's risk management policies.
- 2.32 It is the responsibility of the Managing Director or Chief Executive Officer to create, maintain and implement risk management and internal control policies for the Company, subject to review by the Audit and Risk Management Committee and ultimately the Board.
- 2.33 The Managing Director or Chief Executive Officer must report to the Audit and Risk Management Committee on a half yearly basis regarding the design, implementation and progress of the risk management policies and internal control systems.
- 2.34 The Board will review the effectiveness of implementation of the risk management system and internal control system at least annually.
- 2.35 When reviewing risk management policies and internal control system the Board should take into account the Company's legal obligations and should also consider the reasonable expectations of the Company's stakeholders, including security holders, employees, customers, suppliers, creditors, consumers and the community.
- 2.36 The Chief Executive Officer (or equivalent) is required annually to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.
- 2.37 The Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) are required by the Company to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(4) of the Corporations Act:
- 2.37.1 that the Company's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the Company and comply with relevant accounting standards; and
  - 2.37.2 that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.
- 2.38 The Board has established a Remuneration Committee pursuant to the Remuneration Committee Charter. The Company's remuneration policy is structured for the purpose of:
- 2.38.1 motivating senior executives to pursue the long-term growth and success of the Company; and
  - 2.38.2 demonstrating a clear relationship between senior executives' performance and remuneration.



- 2.39 The Board's responsibility is to set the level and structure of remuneration for officers (including but not limited to directors and secretaries) and executives, for the purpose of balancing the Company's competing interests of:
- 2.39.1 attracting and retaining senior executives and directors; and
  - 2.39.2 not paying excessive remuneration.
- 2.40 Executive directors' remuneration should be structured to reflect short and long-term performance objectives appropriate to the Company's circumstances and goals.
- 2.41 Executive directors' and senior executives' remuneration packages should involve a balance between fixed and incentive-based pay, reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals.
- 2.42 Non-executive directors' remuneration should be formulated with regard to the following guidelines:
- 2.42.1 non-executive directors should normally be remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or equity, usually without participating in schemes designed for the remuneration of executives;
  - 2.42.2 non-executive directors should not be provided with retirement benefits other than superannuation.
- 2.43 No director may be involved in setting their own remuneration or terms and conditions and in such a case relevant directors are required to be absent from the full Board discussion.

### **3 The Board Function: Policy for Assessment of Independence**

- 3.1 If a director's independence status changes this should be disclosed and explained to the market in a timely fashion.
- 3.2 The Company will endeavour to ensure that it has a majority of independent directors at all times, subject to the right of shareholders in general meeting to elect and remove directors.
- 3.3 The Chairman should be a non-executive director who is independent. The Chairman should not be the Chief Executive Officer of the Company. The Chairman's other positions should not be such that they are likely to hinder the effective performance of their role of Chairman of the Company.
- 3.4 All directors – whether independent or not - should bring an independent judgement to bear on Board decisions. Non-executive directors are encouraged to confer regularly without management present. Their discussions are to be facilitated by the Chairman, if he or she is independent or the deputy Chairman. Non-executive directors should inform the Chairman before accepting any new appointments as directors.
- 3.5 To facilitate independent decision making, the Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

#### **4 The Board Function: Board Evaluation Policy**

- 4.1 The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability throughout the entire Company at all levels of employment and engagement.
- 4.2 The Board considers the ongoing development and improvement of its own performance as critical input to effective governance.
- 4.3 The Board undertakes an annual evaluation of its effectiveness as a whole. The Chairman reviews the individual performance of each Board member annually.
- 4.4 The basis of the review is on goals that are set with reference to corporate requirements and any areas for improvement which have been identified in previous reviews. The Board does not endorse the reappointment of a director who is not satisfactorily performing the role.
- 4.5 All senior executives of the Company are subject to an annual performance evaluation. Each year, senior executives establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and requirements of the position.
- 4.6 An informal assessment of progress is carried out each half year. A full evaluation of the executive's performance against the agreed targets takes place once a year. This will normally occur in conjunction with goal setting for the coming year. Since the Company is committed to continuous improvement and the development of its people, the results of the evaluation form the basis of the executive's development plan. Performance pay components of executives' packages are dependent on the outcome of the evaluation amongst other issues such as compliance with the Company's Diversity Policy and any key performance indicators linked to the Company's success in implementing the Diversity Policy.
- 4.7 The Company is committed to continuing development of its directors and executives. Any director wishing to undertake either specific directional training or personal development courses is expected to approach the Chairman for approval of the proposed course.

## **5 The Board Function: Policy for Independence of Professional Advice**

- 5.1 Board members are entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out below:
- 5.2 A director must seek the prior approval of the chairman, providing details of:
- 5.2.1 the nature of the independent professional advice;
  - 5.2.2 the likely cost of seeking the independent professional advice; and
  - 5.2.3 details of the independent adviser he or she proposes to instruct.
- 5.3 The chairman may prescribe a reasonable limit on the amount that the Company will contribute towards the cost of obtaining such advice.
- 5.4 All documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to the Company and to the director in his or her personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to the director's contract of employment with the Company (in the case of an executive director) or any dispute between the director and the Company.

## **6 Code of Conduct**

- 6.1 This Code of Conduct sets out the standards which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, the Company's shareholders and the broader community.
- 6.2 The Company aims:
- 6.2.1 to increase shareholder value within an appropriate framework which safeguards the rights and interests of shareholders; and
  - 6.2.2 to comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity.
- 6.3 The Company will comply with all legislative and common law requirements which affect its business.
- 6.4 The Company will employ the best available staff with skills required to carry out the role for which they are employed. The Company will ensure a safe workplace and maintain proper occupational health and safety practices.
- 6.5 The Company will recognise, consider and respect environmental, native title and cultural heritage issues which arise in relation to the Company's activities and comply with all applicable legal requirements.
- 6.6 The Company recognises and respects the rights of individuals and will comply with the applicable laws regarding privacy and confidential information.
- 6.7 The Company will deal with others in a way that is fair and will not engage in deceptive practices. Corrupt practices are unacceptable to the Company. It is prohibited for the Company or its directors, managers or employees to directly or indirectly offer, pay, solicit or accept bribes or any other corrupt arrangements.
- 6.8 The Board, management and employees must report any situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company. Where a real or apparent conflict of interest arises, the matter must be brought to the attention of the Chairman in the case of a Board member, the Managing Director or Chief Executive Officer (or equivalent) in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner.
- 6.9 Any breach of compliance with this Code of Conduct is to be reported directly to the Chairman.
- 6.10 The Company will monitor compliance with this Code of Conduct periodically by liaising with the Board, management and staff. Suggestions for improvements or amendments to this Code of Conduct can be made at any time to the Chairman.

## 7 Share Trading Policy

7.1 This share trading policy ("Policy") has been adopted by the Board in an effort to prevent the possible incidence of "insider trading" in the Company's shares by the Board, employees, and contractors of the Company. The Corporations Act 2001 ("Act") prohibits insider trading and imposes severe civil and criminal penalties on people who conduct "insider trading" activities. The Policy protects the Board, employees, and contractors of the Company from unwittingly breaching the Corporations Act; ignorance of the law is not a defence to this particular offence. An explanation of the specific terminology used in this Policy is set out below. Any breaches of this policy will be severely dealt with by the Company's Board and may result in immediate termination of employment or engagement terms with the Company.

7.1.1 When a person (the "insider") possesses "inside information" and the "insider" knows or ought reasonably to know, that:

- (a) the "information" is not "generally available"; or
- (b) if the "information" were "generally available", a reasonable person would expect it to have a "material effect" on the price or value of the Company's shares;

the insider must not (whether as principal or agent):

- (c) apply for, acquire, or dispose of the Company's shares, or enter into an agreement to apply for, acquire or dispose of the Company's shares; or
- (d) "procure" another person to apply for, acquire, or dispose of, the Company's shares.

To do so is insider trading.

7.1.2 In addition, the insider must not, directly or indirectly, communicate the "information", or cause the "information" to be communicated, to another person if the insider knows, or ought reasonably to know, that the other person would or would be likely to do either of the things stated in clause 7.1.1(c) and 7.1.1(d). To do so is insider trading.

7.1.3 "Information" includes matters of supposition, rumour and other matters that are insufficiently definite to warrant being made known to the public. It also includes matters relating to the intentions, or likely intentions, of a person.

7.1.4 "Inside information" means information that comes within clause 7.1.1(a) or 7.1.1(b).

7.1.5 Information is "generally available" if it is readily observable or has been made known in a manner which is likely to bring it to the attention of people who commonly invest in the Company's shares (including deductions, conclusions and inferences made or drawn from

that information) and a reasonable period for that information to be disseminated has elapsed since it was made known. This includes after 24 hours has passed since an announcement was made by the Company to ASX.

7.1.6 Information will have a “material effect” on the price or value of the Company’s shares, if the information is likely to influence people who commonly acquire the Company’s shares, in deciding whether or not to acquire or dispose of the Company’s shares.

7.1.7 A person “procures”, if that person incites, induces or encourages an act or omission by another person.

7.1.8 The Company is deemed to possess any knowledge which an officer of the Company possesses and which came into his or her possession in the course of his or her duties as such an officer. This deeming of knowledge also includes a matter or thing known by an officer of the Company, and if an officer is reckless as to a circumstance or result.

7.2 Any Company director, employee or contractor or other person professionally engaged by the Company now or in the preceding six months is prohibited from dealing in the Company’s shares at any time, if that person is in possession of information that is not “generally available”, but if it were, would be likely to “materially affect” the price or value of the Company’s shares. This restriction is an overriding obligation. It applies during trading periods which may otherwise be permitted under this Policy, if that person is in possession of “price sensitive information” which is not “generally available”.

Any person in possession of “price sensitive information” about the Company or any of its subsidiaries which is not “generally available” has a duty to keep that information confidential and must not in any way disclose or communicate that information to any person.

7.3 Any Company director, employee or contractor or other person professionally engaged by the Company now or in the preceding six months who are regarded by the Board as Senior Management of the Company or its subsidiaries, are subject to a blackout period on dealing in the Company’s shares at certain times of the year (“Blackout Period”).

Senior Management includes Directors, Company Secretary, CFO, COO, and their immediate support staff. It includes assistants reporting or supporting these roles, and any other roles which expose or are likely to expose individuals to information on the Company and its subsidiaries.

Each person in Senior Management has a personal responsibility to ensure that his or her immediate family or de facto family, controlled family company or trust (“Related Party”) also comply with the embargo.

7.4 The Blackout Period is:

7.4.1 Up to and including two (2) weeks prior to the announcement of the annual results;

7.4.2 Up to and including two (2) weeks prior to the announcement of the half year results; and

- 7.4.3 The last two (2) week period of the months of January, April, July and October prior to the release of the quarterly results for the periods ending 31 December, 31 March, 30 June and 30 September; or
- 7.4.4 as directed in writing by the Company's Board at any time in its sole discretion.
- 7.5 Senior management and their Related Parties will be discouraged from undertaking short-term trading at all times. Short-term trading is a purchase and sale within a six month period.
- 7.6 The Chairman may, in exceptional circumstances and only in advance, approve the trading by any Director or their Related Parties in the Company's shares during a Black Out Period to the extent reasonably necessary to avoid or ameliorate documented hardship and suffering or as required by other extenuating circumstances in which the Director or the Related Party is placed, such as a court order, or severe health issues triggering financial hardship. An exemption will not be granted by the Chairman if it considers that the person in question has exposure to information that is not generally available, but if it were, would be likely to "materially affect" the price of the Company's shares;
- 7.7 Where the Chairman is the person experiencing hardship referred to in clause 7.6, the Board may approve the trading by the Chairman, consistent with clause 7.6. In addition, the Board must give prior approval for any transactions to be undertaken by the Chairman.
- 7.8 The Managing Director or Chief Executive Officer may approve the trading by any other Senior Management, consistent with clause 7.6. In addition, the Managing Director or Chief Executive Officer must give prior approval for any transactions to be undertaken by any member of staff or management.
- 7.9 All approvals must be in line with the required notification rules from time to time.
- 7.10 Within 2 days of a director being appointed to the Board, resigning or being removed from the Board, or trading in the Company's securities, full details of the director's notifiable interests in the Company's securities and changes in such interest must be advised to the Company Secretary so that a record is kept within the Company and so that necessary ASX notifications will occur.
- 7.11 All directors must notify the Company Secretary of any margin loan or similar funding arrangement entered into in relation to the Company's securities and any variations to such arrangements, including the number of securities involved, the circumstances in which the lender can make margin calls, and the right of the lender to dispose of securities.



## **8 Audit and Risk Management Function: Audit and Risk Management Committee Charter**

8.1 The Company recognises its obligations pursuant to ASX Listing Rule 12.7 to have an Audit and Risk Management Committee.

8.2 The Audit and Risk Management Committee is entrusted by the Board to provide appropriate quality assurance regarding procedures and processes in relation to the following responsibilities:

8.2.1 external audit function:

- (a) review the overall conduct of the external audit process including the independence of all parties to the process;
- (b) review the performance of the external auditors;
- (c) consider the reappointment and proposed fees of the external auditor; and
- (d) where appropriate seek tenders for the audit and where a change of external auditor is recommended this will be reported to the Board for submission to shareholders for shareholder approval;

8.2.2 reviewing the quality and accuracy of published financial reports;

8.2.3 reviewing the accounting function and ongoing application of appropriate accounting and business policies and procedures;

8.2.4 reviewing and imposing variations to the risk management and internal control policies designed and implemented by Company management; and

8.2.5 any other matters that the Board may refer to the Audit and Risk Management Committee from time to time.

8.3 The Company's Audit and Risk Management Committee has the following authority:

8.3.1 to request management to attend meetings and to provide advice or information in the form required by the Audit and Risk Management Committee, and to request attendance by or information from a Company director with prior authority of the Chairman;

8.3.2 through the Chairman of the Audit and Risk Management Committee to contact external regulatory agencies directly in circumstances where the Audit and Risk Management Committee considers it is appropriate with all such contact documented clearly by the Audit and Risk Management Committee Chairman; and

8.3.3 for the Audit and Risk Management Committee Chairman on behalf of the Audit and Risk Management Committee to seek independent legal advice at the expense of the Company

in circumstances where the Audit and Risk Management Committee Chairman considers it is appropriate.

- 8.4 The Secretary to the Board shall be the Secretary to the Audit and Risk Management Committee
- 8.5 The Audit and Risk Management Committee shall meet at least two times each year. Beyond this the Audit and Risk Management Committee Chairman will arrange meetings as often as required as to allow the Audit and Risk Management Committee to fulfil its obligations.
- 8.6 The Audit and Risk Management Committee Chairman is required to call a meeting of the Audit and Risk Management Committee if requested to do so by the Chairman of the Board, by any Audit and Risk Management Committee member or by the external auditor.
- 8.7 The quorum for an Audit and Risk Management Committee meeting shall be a minimum of two members.
- 8.8 Audit and Risk Management Committee meeting agendas will be sent to Audit and Risk Management Committee members in advance of meetings wherever practicable.
- 8.9 The Secretary shall maintain minutes of all meetings of the Audit and Risk Management Committee and these minutes shall be signed by the Chairman of the Audit and Risk Management Committee and approved by the Audit and Risk Management Committee at the next Audit and Risk Management Committee meeting or sooner if required.
- 8.10 The minutes of each Audit and Risk Management Committee meeting will be tabled at the next Board meeting.
- 8.11 The Secretary shall assist the Audit and Risk Management Committee Chairman in dealing with the meeting agenda, providing documentation to Audit and Risk Management Committee members and any communications with Audit and Risk Management Committee members.
- 8.12 Each member of the Audit and Risk Management Committee shall have one vote.
- 8.13 In the case of equality of voting, the Audit and Risk Management Committee Chairman shall have a casting vote in addition to his deliberative vote.
- 8.14 All Audit and Risk Management Committee members are expected to attend Audit and Risk Management Committee meetings.
- 8.15 Any members of the Board may attend Audit and Risk Management Committee meetings.
- 8.16 The Audit and Risk Management Committee Chairman may request the Audit and Risk Management Committee to meet with only non-executive directors present and may require that only Audit and Risk Management Committee members be present at all or part of a meeting.
- 8.17 The Audit and Risk Management Committee Chairman may invite representatives of the external auditor and the Company management to attend all or part of any Audit and Risk Management

Committee meeting. The external auditor shall attend an Audit and Risk Management Committee meeting at least once in each annual reporting cycle.

- 8.18 The Audit and Risk Management Committee is required to undertake an annual performance review of its own activities and the Chairman of the Audit and Risk Management Committee shall report to the Board on the Audit and Risk Management Committee's performance annually. This review will assess the performance of the Audit and Risk Management Committee against the objectives contained in this document and other relevant criteria as approved by the Board.
- 8.19 The Audit and Risk Management Committee activities and functions shall be reviewed annually by the Board and its activities and functions may be revised in the interests of better meeting the needs of the shareholders as owners of the Company as a whole.
- 8.20 The Audit and Risk Management Committee will report to shareholders through the Annual Report. Information to be provided will include:
  - 8.20.1 full description of the Audit and Risk Management Committee's composition;
  - 8.20.2 an outline of Audit and Risk Management Committee responsibilities; and
  - 8.20.3 any other information required by law or the ASX Listing Rules.

## **9 Nomination Function: Nomination Committee Charter**

- 9.1 The Board of Directors is responsible for overseeing the selection and appointment of directors.
- 9.2 The role of the Nomination Committee is to make recommendations to the Board in relation to the recruitment, retention, termination arrangements, and the policies and procedures for the Managing Director and the non-executive Directors.
- 9.3 The Nomination Committee makes recommendations to the Board in relation to the necessary and desirable competencies of Directors, reviews Board succession plans, and recommends appointment and re-election of Directors and the Company Secretary.
- 9.4 The Nomination Committee develops and implements a process for evaluation of the continuing performance and competencies of the Board and its Committees.
- 9.5 The Committee will comprise at least three members all of whom must be non-executive Directors.
- 9.6 The Chairman of the Committee must be an independent Director.
- 9.7 A majority of the Committee's members will consist of independent Directors.
- 9.8 Members of the Committee shall be appointed for an initial three year term of office, after which their appointment may be subject to annual rotation.
- 9.9 The Committee shall assess the expertise required by Directors to adequately discharge the Board's duties having regard to the Company's business operations and financial objectives.
- 9.10 The Committee shall on a regular ongoing basis, assess the composition of the Board having regard to the above.
- 9.11 The Committee shall develop and implement a process for the identification of suitable candidates for Board positions and the positions of Company Secretary and Chief Financial Officer as appropriate.
- 9.12 The Company Secretary shall be appointed Secretary of the Nomination Committee.
- 9.13 Meetings shall be held at least twice a year and otherwise as frequently as required.
- 9.14 Any Committee member or the Company Secretary may call a meeting of the Committee.
- 9.15 Any person may be invited to attend meetings of the Committee. All Directors have a standing invitation to attend meetings of the Committee.
- 9.16 All meetings of the Committee shall be governed by the Constitution where the context allows.
- 9.17 A quorum of the Committee is two members.

- 9.18 The Committee is authorised by the Board to investigate any matter within the scope of its responsibility and will provide recommendations to the Board based on the outcome of its investigations.
- 9.19 The Committee shall have the authority to seek any information it requires from any officer or employee of the Company and such people will be instructed by the Board to respond to such enquiries.
- 9.20 The Committee is authorised to take such independent advice as it considers necessary, at the Company's cost, to assist the Committee in undertaking its duties.
- 9.21 The Chairman of the Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting.
- 9.22 The minutes of all Committee meetings shall be circulated to the Board.
- 9.23 The Committee shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings. The report shall address all matters relevant to the Committee's role and responsibilities.

## **10 Remuneration Function: Remuneration Committee Charter**

- 10.1 The Company has a separate Remuneration Committee to consider matters of remuneration. The Committee functions in accordance with the Remuneration Committee Charter. Subject to the size and composition of the full Board, the Remuneration Committee is to include at least three members, or which at least 2 are to be independent non executive directors of the Company.
- 10.2 The function of the Committee is to review and make appropriate recommendations on:
- (a) remuneration packages of executive directors, non-executive directors and senior executives; and
  - (b) employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.
- 10.3 The full Board shall meet in its capacity as the Remuneration Committee at least once a year and otherwise as required. Minutes of all meetings of the Committee are to be kept. Committee meetings will be governed by the same rules as set out in the Company's constitution, as they apply to meetings of the Board.
- 10.4 The Committee is to make decisions with respect to appropriate remuneration and incentive policies for executive directors and senior executives which:
- 10.4.1 will motivate executive directors and senior executives to pursue long term growth and success of the Company within an appropriate control framework;
  - 10.4.2 demonstrate a clear correlation between key performance and remuneration; and
  - 10.4.3 will align the interests of key leadership with the long-term interests of the Company's shareholder.
- 10.5 The Committee is to ensure that:
- 10.5.1 executive remuneration packages involve a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Company's circumstances and objectives;
  - 10.5.2 a proportion of executives' remuneration is structured in a manner designed to link reward to corporate and individual performances; and
  - 10.5.3 recommendations are made to the Board with respect to the quantum of bonuses to be paid to executives.
- 10.6 To the extent that the Company adopts a different remuneration structure for its non-executive directors, the Committee shall document its reasons for the purpose of disclosure to shareholders.

- 10.7 The Committee is to ensure that:
- 10.7.1 fees paid to non-executive directors are within the aggregate amount approved by shareholders and make recommendations to the Board with respect to the need for increases to this aggregate amount at the Company's AGM;
  - 10.7.2 non-executive directors are remunerated by way of fees (in the form of cash and/or superannuation benefits);
  - 10.7.3 non-executive directors are not provided with retirement benefits other than statutory superannuation entitlements; and
  - 10.7.4 non-executive directors are not entitled to participate in equity-based remuneration schemes designed for executives without due consideration and appropriate disclosure to the Company's shareholders.
- 10.8 To the extent that the Company adopts a different remuneration structure for its non-executive directors, the Committee shall document its reasons for the purpose of disclosure to shareholders.
- 10.9 The Committee is to:
- 10.9.1 review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the Committee will act on behalf of the Board to administer equity-based and employee benefit plans, and as such will discharge any responsibilities under those plans including making and authorising grants, in accordance with the terms of those plans;
  - 10.9.2 ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved; and
  - 10.9.3 continually review and if necessary improve any existing benefit programs established for employees.

## **11 Shareholder Communication Policy**

11.1 The Board aims to ensure that shareholders are informed of all major developments affecting the Company. All shareholders receive the Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports. The Company also encourages full participation of shareholders at the annual general meeting of the Company.

11.2 In addition, the Company maintains a website on which the Company makes (or will make, as applicable) the following information available on a regular and up to date basis:

11.2.1 company announcements (for last 3 years);

11.2.2 information briefings to media & analysts (for last 3 years);

11.2.3 notices of meetings and explanatory materials (for last 3 years);

11.2.4 financial information (for last 3 years); and

11.2.5 Annual reports (for last 3 years).

The Company maintains a database of shareholders who receive automatic email updates of significant developments in the Company's affairs. New shareholders receive a package of information from the Company and are offered the opportunity to provide their email address to be added to the shareholder database.



## 12 Disclosure Policy

- 12.1 The Company recognises its duties pursuant to the continuous disclosure rules of the ASX Listing Rules and Corporations Act to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities.
- 12.2 Subject to certain exceptions (in ASX Listing Rule 3.1A), the Company is required to immediately release to the market information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.
- 12.3 The Board as a whole is primarily responsible for ensuring that the Company complies with its disclosure obligations and for deciding what information will be disclosed. Subject to delegation, the Board is also responsible for authorising all ASX announcements and responses of the Company to ASX queries.
- 12.4 Every director, officer and employee of the Company is to be informed of the requirements of this policy and must advise the Managing Director, Chief Executive Officer (or equivalent), Chairman or Company Secretary as soon as possible (and prior to disclosure to anyone else) of matters which they believe may be required to be disclosed.
- 12.5 The Board has delegated its primary responsibilities to communicate with ASX to the following Authorised Disclosure Officer:
- 12.5.1 the Company Secretary or
  - 12.5.2 in the absence of the Company Secretary, the Managing Director, Chief Executive Officer or a designated Executive Director who is authorised to act in that capacity by the Board.
- 12.6 Subject to Board intervention on a particular matter, the Authorised Disclosure Officer is responsible for the following:
- 12.6.1 monitoring information required to be disclosed to ASX and coordinating the Company's compliance with its disclosure obligations;
  - 12.6.2 ASX communication on behalf of the Company, authorising Company announcements and lodging documents with ASX;
  - 12.6.3 requesting a trading halt in order to prevent or correct a false market;
  - 12.6.4 providing education on these disclosure policies to the Company's directors, officers and employees; and
  - 12.6.5 ensuring there are vetting and authorisation processes designed to ensure that Company announcements:
    - (a) are made in a timely manner;

- (b) are factual;
- (c) do not omit material information;
- (d) are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

- 12.7 An Authorised Disclosure Officer must be available to communicate with the ASX at all reasonable times, and are responsible for providing contact details and other information to ASX to ensure such availability.
- 12.8 In the event that ASX requests information from the Company in order to correct or prevent a false market in the Company's securities, the Company will comply with that request. The extent of information to be provided by the Company will depend on the circumstances of the ASX request.
- 12.9 If the Company is unable to give sufficient information to the ASX to correct or prevent a false market, the Company will request a trading halt.
- 12.10 If the full Board is available to consider the decision of whether to call a trading halt, only they may authorise it, but otherwise, the Authorised Disclosure Officer may do so.
- 12.11 Company announcements of price sensitive information are subjected to the following vetting and authorisation process to ensure their clarity, timely release, factual accuracy and inclusion of all material information:
- 12.11.1 The Authorised Disclosure Officer must prepare ASX announcements when required to fulfil the Company's disclosure obligations.
  - 12.11.2 Proposed announcements must be approved by the Chairman or in his or her absence, urgent announcements may be approved by the Managing Director or Chief Executive Officer (or equivalent) or other person expressly authorised by the Board.
  - 12.11.3 Announcements must first be released to the ASX Announcements Platform before being disclosed to any other private or public party (such as the media). After release of the announcement, it must be displayed on the Company's website, following which the Company can then release such information to media and other information outlets.
  - 12.11.4 Wherever practical, all announcements must be provided to the directors, Chief Executive Officer (or equivalent) and Company Secretary prior to release to the market for approval and comment.
- 12.12 The Company must safeguard the confidentiality of information which a reasonable person would expect to have a material effect on the price or value of the Company's securities. If such information is inadvertently disclosed, the Authorised Disclosure Officer must be informed of the same and must refer it to the Chairman and Managing Director or Chief Executive Officer (or equivalent) as soon as possible.

- 12.13 The Chairman and Managing Director or Chief Executive Officer (or equivalent) are authorised to communicate on behalf of the Company with the media, government and regulatory authorities, stock brokers, analysts and other interested parties or the public at large. No other person may do so unless specifically authorised by the Chairman, Managing Director or Chief Executive Officer (or equivalent).
- 12.14 All requests for information from the Company must be referred to the Authorised Disclosure Officer for provision to the Chairman and Managing Director or Chief Executive Officer (or equivalent).
- 12.15 Serious breaches of this disclosure policy may be treated with disciplinary action, including dismissal, at the discretion of the Board.
- 12.16 Where the breach is alleged against a member of the Board, that director will be excluded from the Board's consideration of the breach and any disciplinary action for the Company to take.

## 13 Diversity Policy

- 13.1 The Company is actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contributions of diverse skills and talent from its employees.
- 13.2 It is the Board's responsibility and objective to foster an environment within the Company where individual differences are respected, employment opportunities are based on merit, skill and ability, and where inappropriate attitudes, behaviours and practices at all levels within the Company and its subsidiaries are confronted and eliminated.
- 13.3 The Company encourages diversity in employment and in the composition of the Board, as a mechanism to ensure that the Company is able to draw on a variety of skill, talent and previous experiences in order to maximise the Company's performance. Practical examples of implementation of this Board objective are:
- 13.3.1 **Employing:** The Board monitors and ensures that there are appropriate selection criteria used when employing new members of staff, which are based on diverse skills and experience. Direct and inferred discrimination will not be utilised or tolerated in any advertising or recruitment documents or practices.
- 13.3.2 **Training:** Opportunities to train and advance careers for employees will be based on merit and experience together with the needs of the Company. Executive mentoring programs and other training opportunities for employees wishing to prepare for senior management opportunities will be made available to relevant employees based on merit and skill set. Direct and inferred discrimination will not be utilised or tolerated in any training opportunity selection or practices.
- 13.3.3 **Women:** The Board will focus on the participation of women on the Board and within senior management. The Board will set objectives for achieving gender diversity at these levels in a way that is capable of being measured, with annual disclosure of the objectives and achievement of the objectives in each financial year. Examples of objectives which are capable of being measured are:
- (a) setting targets for the number of women employed in particular roles, (regardless of whether the role is performed on a full time basis or on a flexi time basis to accommodate employees' various personal responsibilities during typical business hours), specifically addressing the roles of secretarial and clerical support, administration and middle management, trades, professional specialty, or Board;
  - (b) comparing numbers of men employed in those specified roles to the number of women employed in those specified roles;
  - (c) comparing the remuneration bands within which men and women are employed in those roles;

- (d) comparing the age of employees employed in those roles;
- (e) comparing the ethnicity of employees employed in those roles, and
- (f) comparing the cultural background of employees employed in those roles.

13.3.4 Freedom from harassment at work arising out of gender, race or other motivation: The Board will ensure that all employees in all roles have access to a work environment free from harassment by other employees in all roles. Channels of complaint will be made available to allow for confidential sympathetic treatment by the Company of any allegations of harassment, and to allow for both complainant and the alleged transgressor to be heard promptly, fairly and overseen by a Board member who is impartial to both individuals and roles. Where the Chairman of the Board is the alleged transgressor, the Managing Director will directly handle the complaint, and vice versa.

13.4 Reporting breaches of Diversity Policy: All employees are responsible to comply with the diversity policy and report breaches. The Board is responsible to monitor compliance by the Company with the diversity policy and report to ASX on progress in achieving the diversity targets set by the Board.

13.5 KPI's as an incentive: The Board will consider setting Key Performance Indicators for the Board, CFO and other key senior management positions which are directly linked to the Company's achievement of targets set by the Board under this policy.

## 14 Website summary: Corporate Governance Policies

The primary responsibility for the Board is to represent and advance Shareholder's interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability. The Company has adopted the *ASX Corporate Governance Principles and Recommendations* with some amendments where applicable after giving consideration to the Company's size and the resources it has available. As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

A summary of the Company's key policies follows.

### 14.1 Board and Senior Executive Evaluation

The Board considers the ongoing development and improvement of its own performance as critical input to effective governance. The Board undertakes an annual evaluation of its effectiveness as a whole. The Chairman reviews the individual performance of each Board member annually. All senior executives of the Company are subject to an annual performance evaluation. Each year, senior executives establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and requirements of the position. In the case of the Managing Director, these targets are established between the Managing Director and the Board.

### 14.2 Code of Conduct

The Board, management and all employees of the Company are committed to implementing the Company's core principles and values as stated in the Code of Conduct when dealing with each other and with customers, suppliers, government authorities, creditors and the wider community.

The Company is dedicated to delivering outstanding performance for investors and employees. The Company aspires to be a leader in its field while operating openly, with honesty, integrity and responsibility and maintaining a strong sense of corporate social responsibility. In maintaining its corporate social responsibility the Company will conduct its business ethically and according to its values, encourage community initiatives, consider the environment and ensure a safe, equal and supportive workplace.

### 14.3 Continuous Disclosure

In accordance with the ASX Listing Rules, the Company will immediately notify the ASX of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The only exception to this requirement is where the ASX Listing Rules do not require such information to be disclosed.

Upon confirmation of receipt from the ASX, the Company will post all information disclosed to ASX on its website.

#### 14.4 Non-executive Directors Remuneration

Non-executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The sum each Non-Executive Director is paid is determined by the Board from time to time. Additional fees may be paid for participation on Board Committees, however, the total fees paid to Non-Executive Directors, including fees paid for participation on Board Committees, are kept within the total amount approved by shareholders.

#### 14.5 Selection and Appointment of New Directors

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

#### 14.6 Risk Management

Risk recognition and management are viewed by the Company as integral to the Company's objectives of creating and maintaining shareholder value, and the successful execution of the Company's objectives.

There are a range of specific risks that have the potential to have an adverse impact on the Company's business. The Company has developed a framework for an audit and risk management policy and internal compliance and control system which covers organisational, financial and operational aspects of the Company's affairs.

#### 14.7 Share Trading

The Company recognises that directors, officers and employees may hold securities in the Company and that most investors are encouraged by these holdings. It is the responsibility of the individual director, officer or employee to ensure that any trading by the director, officer or employee complies with the Corporations Act 2001, the ASX Listing Rules and the Company's Share Trading Policy. This includes consultants who have access to, or are involved with confidential information and a director's family and support staff. A breach of this policy may lead to disciplinary action. It may also be a breach of the law.

The Company has established procedures and protocols to be complied with if a director, officer or employee wishes to trade in the Company's securities.

#### 14.8 Senior Executives Remuneration

The Company is committed to remunerating its senior executives in a manner that is market competitive, consistent with best practice and supports the interests of shareholders. Consequently, senior executives' remuneration consists of a fixed salary, statutory superannuation and, subject to the terms of their engagement, mobile phone expenses. All reasonable out of pocket expenses incurred by the senior executive in connection with the performance of duties on behalf of the Company will be reimbursed.

#### 14.9 Shareholder Communication Policy

The Board aims to ensure that shareholders are informed of all major developments affecting the Company. All shareholders receive the Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports. The Board also encourages full participation of shareholders at the Company's annual general meeting. In addition, the Company maintains a website which is regularly updated.

#### 14.10 Board Charter

The Board has adopted a list of matters required to be brought before the Board of Directors for approval. This provides an important means of dividing responsibility between the Board and management, assisting those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and the Senior Executives.

#### 14.11 Diversity

The Company encourages diversity in employment throughout the Company and in the composition of the Board, as a mechanism to ensure that the Company is able to draw on a variety of skill, talent and previous experiences in order to maximise the Company's performance. The Company's Diversity Policy has been implemented to ensure the Company has the benefit of a diverse range of employees with different skills, experience, age, gender, race and cultural backgrounds, and that the Company reports its results on an annual basis in achieving measurable targets which are set by the Board as part of implementation of the Diversity Policy

**Full details of the Company's corporate governance policies are available on the Company's website.**



## 15 “If Not Why Not” statement

All ASX listed entities are required to disclose against the recommendations and disclosure obligations contained in the revised ASX Corporate Governance Council Corporate Governance Principles and Recommendations in the annual report and in initial public offer documents. The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company’s needs. To the extent they are applicable, the Company has adopted the second edition of the Corporate Governance Principles and Recommendations (“Recommendations”) as published by the ASX Corporate Governance Council. Copies of the Company’s corporate governance policies are set out in the “Corporate Governance Policies” available on the Company’s website. As the Company’s activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be given further consideration. In view of the size of the Company and the nature of its activities, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. The Company reports the following departures from the ASX Principles and Recommendations:

**To be amended from time to time.**