

# TEN ESSENTIAL CORPORATE GOVERNANCE PRINCIPLES AND BEST PRACTICE RECOMMENDATIONS.

## **Principle 1: Lay solid foundations for management and oversight**

*Recognise and publish the respective roles and responsibilities of Board and management*

- Recommendation 1.1:      A            Formalise and disclose the functions reserved to the Board and those delegated to management
- B            Formalise directors appointments in writing.

## **Principle 2: Structure the Board to add value**

*Have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties*

- Recommendation 2.1:      A majority of the Board should be independent directors.
- Recommendation 2.2:      The chairperson should be an independent director.
- Recommendation 2.3:      The roles of the chairperson and [chief executive officer] should not be exercised by the same individual.
- Recommendation 2.4:      The Board should establish a Nomination Committee.
- Recommendation 2.5:      Provide the information indicated in Guide to Reporting on Principle 2.

## **Principle 3: Promote ethical and responsible decision making**

*Actively promote ethical and responsible decision making*

- Recommendation 3.1:      Establish a Code of Conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:
- 3.1.1    the practices necessary to maintain confidence in the Company's integrity
- 3.1.2    the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- Recommendation 3.2:      Disclose the policy concerning trading in Company securities by directors, officers and employees.
- Recommendation 3.3:      Provide the information indicated in *Guide to reporting on Principle 3*.

## **Principle 4: Safeguard integrity in financial reporting**

*Have a structure to independently verify and safeguard the integrity of the Company's financial reporting*

- Recommendation 4.1:      Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.
- Recommendation 4.2:      The Board should establish an Audit Committee.

- Recommendation 4.3: Structure the Audit Committee so that it consists of:
- only non-executive directors
  - a majority of independent directors
  - an independent chairperson, who is not chairperson to the Board
  - at least three members.
- Recommendation 4.4: The Audit Committee should have a formal charter.
- Recommendation 4.5: Provide the information indicated in *Guide to reporting on Principal 4*.

**Principle 5: Make timely and balanced disclosure**  
*Promote timely and balanced disclosure of all material matters concerning the Company*

- Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.
- Recommendation 5.2: Provide the information indicated in *Guide to reporting on Principle 5*.

**Principle 6: Respect the rights of shareholders**  
*Respect the rights of shareholders and facilitate the effective exercise of those rights*

- Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.
- Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

**Principle 7: Recognise and Manage risk**  
*Establish a sound system of risk oversight and management and internal control*

- Recommendation 7.1: The Board or appropriate Board committee should establish policies on risk oversight and management.
- Recommendation 7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:
- 7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board
  - 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
- Recommendation 7.3: Provide the information indicated in *Guide to reporting on Principle 7*.

**Principle 8: Encourage enhanced performance**

*Fairly review and actively encourage enhanced Board and management effectiveness*

Recommendation 8.1: Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.

**Principle 9: Remunerate fairly and responsibly**

*Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined*

Recommendation 9.1: Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

Recommendation 9.2: The Board should establish a Remuneration Committee.

Recommendation 9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

Recommendation 9.5: Provide the information indicated in *Guide to reporting on Principle 9*.

**Principle 10: Recognise the legitimate interests of stakeholders**

*Recognise legal and other obligations to all legitimate stakeholders*

Recommendation 10.1: Establish and disclose a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.