



**Vitasora Health Limited**

ABN 98009234173

**BOARD CHARTER**

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## 1. INTRODUCTION

Vitasora Health Limited is a public company incorporated within Australia. The Company is listed on the Australian Stock Exchange.

The Company has three subsidiaries, KarmelSonix (Australia) Pty Ltd and iSonea (Israel) Ltd, iSonea Inc. The Company's main activity is research, development and commercialisation of a range of respiratory and pulmonary medical devices.

The Board of the Company ("Board") has the ultimate responsibility to its shareholders for the strategy and performance of the Company in general. The Board is dedicated to fulfilling these duties in a lawful and professional manner, and with the utmost integrity and objectivity. As such, the Board actively pursues best practice governance processes.

Good governance policies and processes are critical for ensuring that the Company is governed in the best interests of the Company as a whole. With this point in mind, the Board has decided to articulate and formalise the corporate governance framework within which the Company operates.

This document outlines the Company's Corporate Governance Policy in the form of a Board Charter, which is a written policy document that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of Management in setting the direction, management and the control of the organisation. As such, it establishes the guidelines within which the Directors and Officers are to operate as they carry out their respective roles. It does not in any way constitute legal advice or act as a substitute for legal advice.

The purpose of this Board Charter is to document the policies upon which the Board has decided to meet its legal and other responsibilities.

The Charter is structured in accordance with the Company's view of a Corporate Governance Charter.



Geoffrey Kiel and Gavin Nicholson,  
*Boards that Work: A New Guide for Directors*, Sydney: McGraw-Hill, 2003.

The Company's Board Charter has four major sections:

- Part A - Defining Governance Roles;
- Part B - Board Processes;
- Part C - Key Board Functions; and
- Part D - Continuing Improvement.

While it is acknowledged that good governance is an important component of a successful company, it is also recognised that it is contingent upon the context in which it is practiced. Therefore, corporate governance needs to be an evergreen process, and as a result this Board Charter is a living document. The Board Charter will need to be regularly reviewed and updated to reflect changes in the legal framework within which the Company operates, and amendments and developments in Board policies and procedures. It is the responsibility of the Company Secretary to ensure that the Board is consulted regarding any changes and updates, that the Charter is kept current and is reviewed and amended on a yearly basis, and that all Board Members are provided with the latest versions of the Charter.

Nothing in this Charter must conflict with the Company's Constitution ("Constitution "). If such a conflict occurs, the Constitution shall prevail.

Any reference to gender in this Charter should be interpreted as applicable to both males and females.

## **PART A – DEFINING GOVERNANCE ROLES**

### **2. THE ROLE OF THE BOARD**

The Board is ultimately responsible for all matters relating to the running of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of Senior Management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of Management in carrying out these delegated duties. Thus, except when dealing with specific management delegations of individual Directors (particularly Executive Directors), it is misleading to refer to the management function of the Board.

The Board has the final responsibility for the successful operations of the Company. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Providing leadership to the Company by:
  - Guiding the development of an appropriate culture and values for the Company through the establishment and review of Codes of Conduct, rules and procedures to enforce ethical behaviour and provide guidance on appropriate work methods;
  - Always acting in a manner consistent with the Company's culture and Code of Conduct;
- Overseeing the development and implementation of an appropriate strategy by:
  - Working with the Senior Management Team to ensure that an appropriate strategic direction and array of goals are in place;
  - Regularly reviewing and amending or updating the Company's strategic direction and goals;
  - Ensuring that an appropriate set of internal controls are implemented and reviewed regularly;
  - Overseeing planning activities including the development and approval of strategic plans, annual plans; annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets;
  - Reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis;
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at General Meetings and, through the Chairman, being the key interface between the Company and its shareholders;
- Overseeing the control and accountability systems that ensure the Company is progressing towards the goals set by the Board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;
- Ensuring robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;

- Being responsible for the Company's Senior Management and Personnel including:
  - Directly managing the performance of the CEO including:
    - appointing and remunerating the CEO;
    - providing advice and counsel to the CEO including formal reviews and feedback on his or her performance;
    - overseeing the development or removal of the CEO, where necessary;
  - Ratifying the appointment, the terms and conditions of the appointment and, where appropriate, removal of the CFO and/or Company Secretary;
  - Ensuring that an appropriate succession plan for the CEO, CFO and Company Secretary is in place, where appropriate;
  - Ensuring appropriate human resource systems (including OH&S systems) are in place to ensure the well-being and effective contribution of all employees; and
  - Establishing and maintaining appropriate remuneration levels, including incentive policies for Directors, Senior Executives and Employees.
- Ensuring that Board membership and structure is suitable to the current circumstances of the Company; having in place effective succession planning procedures and evaluating performance where possible.
- Reviewing the integrity of the Company's financial reporting and overseeing the independence of the external Auditors (or by delegation to a Committee)
- Delegating appropriate powers to the CEO, Management and Committees to ensure the effective day-to-day management of the business and monitoring the exercise of these powers; and
- Making all decisions outside the scope of these delegated powers including:
  - Approving the details of all items of capital expenditure in excess of \$100,000; and
  - Approving all operational expenditures more than 10% outside the approved budget and
  - Approving all mergers, acquisitions or property disposals in excess of \$100,000; and
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.

The detail of some Board functions will be handled through Board Committees. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

### **3. BOARD STRUCTURE**

#### **3.1 Number of Directors**

The Board has determined that, consistent with the size of the Company and its activities, the Board shall be comprised of at least 3 Directors, with the intention of appointing over time such number of independent Directors that is appropriate to provide proper non-executive influence for decision making purposes.

The Board's long-term policy is that the majority of Directors shall be independent, Non-executive Directors, depending on the future needs of the Company, its ability to identify and attract suitable candidates and to financially be able to afford such a structure in light of finite financial resources. This ensures that all Board discussions or decisions have the benefit of outside views and experience.

Subject to the above, the Board has adopted the definition of independence set out in the ASX Corporate Governance Council *Principles and Recommendations (2007)*.

The independence of the Company's Nonexecutive Directors will be assessed on an ongoing basis.

In the opinion of the Board, all Directors should bring specific skills and experience that add value to the Company. The balance of skills and experience of the Board is to be regularly reviewed by the Nomination Committee (or full Board in the absence of a Nomination Committee).

When considering the potential reappointment of an existing Director, the Board will take into account the individual's performance as well as the skills and experience mix required by the Board into the future.

When considering vacancies, the Board will take into account a candidate's capacity to enhance the mix of skills and experience of the Board.

#### **3.2 Appointment of Directors**

The Directors may at any time appoint a person to be Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution. Any Director so appointed holds office only until the next following General Meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Any person seeking election as a Director (other than a Director seeking re-election) may submit their application and signed nomination at least 6 weeks before the General Meeting, to the Registered Office of the Company. All nominations shall then be treated as in regard to the Company's Constitution.

#### **3.4 Skills Required on the Board**

The Board, through the Nomination Committee (or full Board in the absence of a Nomination Committee), will maintain a regularly reviewed capabilities matrix.

This matrix shall include technical skills, director capabilities and personal attributes. It will normally review the Board's composition against this matrix and recommend any changes in Board composition on at least an annual basis. An essential component of this matrix is the time availability of Directors.

#### **3.5 Duration of Appointment**

In the interest of ensuring a continual supply of new talent to the Board, Directors will serve for as long as the Director's skill base and contribution is considered beneficial to the Company.



### 3.6 Vacation of Office

It is envisaged that Directors shall remain on the Board until required to vacate the office by law or as detailed in the Constitution. The terms and conditions for Directors are contained in their Letter of Appointment.

## 4. THE ROLE OF INDIVIDUAL DIRECTORS

As members of the peak decision-making body in the Company, Directors share ultimate responsibility for the Company's overall success. Therefore, Directors have an individual responsibility to ensure that the Board is undertaking its responsibilities as set out in its Statement of Board Functions. Directors need to ensure that the Board is providing:

- leadership to the Company, particularly in the areas of ethics and culture;
- a clear and appropriate strategic direction;
- accountability to key stakeholders, particularly shareholders;
- oversight of policies;
- oversight of all control and accountability systems including all financial operations and solvency, risk management and compliance;
- an effective Senior Management Team and appropriate personnel policies; and
- timely and effective decisions on matters reserved to it.

### 4.1 Directors' Code of Conduct

In accordance with legal requirements and agreed ethical standards, Directors and key Executives of the Company:

- will act honestly, in good faith and in the best interests of the whole Company; \*
- owe a fiduciary duty to the Company as a whole;
- have a duty to use due care and diligence in fulfilling the functions of the office and exercising the powers attached to that office; \*
- will undertake diligent analysis of all proposals placed before the Board;
- will act with a level of skill expected from Directors and key Executives of a publicly listed Company;
- will use the powers of office for a proper purpose, in the best interests of the Company as a whole; \*
- will demonstrate commercial reasonableness in decision making;
- will not make improper use of information acquired as Directors and key Executives; \*
- will not disclose non-public information except where disclosure is authorised or legally mandated; †
- will keep confidential information received in the course of the exercise of their duties and such information remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law; \*
- will not take improper advantage of the position of Director or use the position for personal gain or to compete with the Company; †
- will not take advantage of Company property or use such property for personal gain or to compete with the Company; †
- will protect and ensure the efficient use of the Company's assets for legitimate business purposes; †
- will not allow personal interests, or the interest of any associated person, to conflict with the interests of the Company; \*
- have an obligation to be independent in judgment and actions and Directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board; \*
- will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally, towards achieving its goals;
- will not engage in conduct likely to bring discredit upon the company; \*

- will encourage fair dealing by all employees with the Company's customers, suppliers, competitors and other employees; <sup>t</sup>
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith; <sup>t</sup>
- will give their specific expertise generously to the company;
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code; <sup>\*</sup>

( <sup>\*</sup> From the AICD Code of Conduct)

( <sup>t</sup> From the ASX Corporate Governance Council's *Principles of Good Corporate Governance*)

## 4.2 Expectations of Directors in Board Process

Since the Board needs to work together as a group, Directors need to establish a set of standards for Board Meetings. At the Company, it is expected that Directors shall, in good faith, behave in a manner that is consistent with generally accepted procedures for the conduct of meetings at all meetings of the Board. This will include, but not be limited to:

- behaving in a manner consistent with the letter and spirit of the Corporate Code of Conduct;
- acting in a businesslike manner;
- acting in accordance with the Constitution and Board policies;
- addressing issues in a confident, firm and friendly manner;
- preparing thoroughly for each Board or Committee event;
- using judgment, common sense and tact when discussing issues;
- minimising irrelevant conversation and remarks;
- ensuring that others are given a reasonable opportunity to put forward their views;
- refraining from interruption or interjection when a speaker has the floor; and
- being particularly sensitive in interpreting any request or direction from the Chairman that aims to ensure the orderly and good spirited conduct of the meeting.

Directors are expected to be forthright in Board Meetings and have a duty to question, request information, raise any issue, and fully canvas all aspects of any issue confronting the Company, and cast their vote on any resolution according to their own judgment.

Outside the boardroom, however, Directors will support the letter and spirit of Board decisions in discussions with all stakeholders including any shareholders, special interest groups, customers, staff, suppliers and any other parties.

Directors will keep confidential all board discussions and deliberations. Similarly, all confidential information received by a Director in the course of the exercise of the Director's duties remains the property of the Company and is not to be discussed outside the boardroom. It is improper to disclose it, or allow it to be disclosed, unless that disclosure without appropriate authorisation.

## 4.3 Conflict of Interest and Related Party Transactions

### 4.3.1 Conflicts of Interest

Directors must disclose to the Board actual or potential conflicts that may or might reasonably be thought to exist between the interests of the Director and the interests of the Company. Whether an interest is material or not will vary depending on individual circumstances. Directors are expected to know when a matter is material and accordingly would declare any material conflict. On appointment, Directors will have an opportunity to declare any such interests and they will be entered into the Company's Register of Ongoing Conflicts of Interests.

Directors should update this disclosure by notifying the Company Secretary in writing as soon as they become aware of any conflicts. Directors are also expected to indicate to the Chairman any actual or potential

conflict of interest situation as soon as it arises. To ensure Directors have an opportunity to disclose new conflicts of interest, the first Agenda item for each Board Meeting will be the disclosure of any conflicts of interest. Any amendments to disclosures are to be tabled at this time and entered into the Register of Ongoing Conflicts of Interest.

The Board can request a Director to take reasonable steps to remove the conflict of interest. If a Director cannot or is unwilling to remove a conflict of interest, then the Director must absent himself or herself from the room when discussion and voting occur on matters to which the conflict relates. The entry and exit of the Director concerned will be minuted by the Company Secretary. Directors do not have to absent themselves when either (a) conflict of interest relates to an interest common to all Company members/shareholders or (b) the Board passes a resolution that identifies the Director, the nature and extent of the Director's interest and clearly states that the other Directors are satisfied that the interest should not disqualify the Director concerned from discussion and/or voting on the matter.

#### *4.3.2 Related Party Transactions*

Related party transactions include any financial transaction between a Director or Officer and the Company and will be reported in writing to each Board Meeting.

In general, the *Corporations Act* requires related party transactions to be approved by the shareholders; the Board cannot approve these transactions. An exemption to this requirement occurs where the financial benefit is given on arm's length terms.

To assist the Board in showing that a financial benefit, such as the awarding of a contract to a company in which a Director is a partner, is given on arm's length terms, the process outlined below (Potential Related Party Transaction) will be followed. The Board has also resolved that where applications are made by a related party to a Director or Officer of the Company then the Director or Officer shall exclude himself/herself from the approval process.

Related party for this process means:

- a) a spouse or de facto of the Director or officer; or
- b) a parent, son or daughter of the Director or officer or their spouse or de facto spouse; or
- c) an entity over which the Director or Officer or a related party defined in (a) or (b) has a controlling interest.

The Company Secretary will maintain a Register of Related Parties Transactions as well as the Register of Ongoing Conflicts of Interests.

## **5. THE ROLE OF THE CHAIRMAN**

The Chairman's role is a key one within the Company. The Chairman is considered the "lead" Director and utilises his/her experience, skills and leadership abilities to facilitate the governance processes.

There are two main aspects to the Chairman's role. They are the Chairman's role within the boardroom and the Chairman's role outside the boardroom.

### **5.1 Inside the Boardroom**

The role of the Chairman is to:

1. Establish the Agenda for Board Meetings in consultation with the CEO;
2. Chair Board Meetings. If the Chairman is not present within 15 Minutes after the time appointed for the holding of the meeting, a Director chosen by a majority of Directors shall assume the role;
3. Be clear on what the Board has to achieve, both in the long and short term;
4. Provide guidance to other Board members about what is expected of them;
5. Ensure that Board Meetings are effective in that:
  - i. the right matters are considered during the meeting (for example, strategic and important issues);
  - ii. matters are considered carefully and thoroughly;
  - iii. all Directors are given the opportunity to effectively contribute;
  - iv. and the Board comes to clear decisions and resolutions are noted;
6. Brief all Directors in relation to issues arising at Board Meetings;
7. Ensure that the decisions of the Board are implemented properly;
8. Ensure that the Board behaves in accordance with its Code of Conduct; and
9. Commence the annual process of Board and Directors' Evaluations.

### **5.2 Outside the Boardroom**

The role of the Chairman is to:

1. In conjunction with the CEO, undertake appropriate public relations activities;
2. Be the spokesperson for the Company at the AGM and in the reporting of performance and profit figures;
3. Be the major point of contact between the Board and the CEO;
4. Be kept fully informed of current events by the CEO on all matters which may be of interest to Directors;
5. Regularly review with the CEO, and such other senior officers as the CEO recommends, progress on important initiatives and significant issues facing the Company;
6. Provide mentoring for the CEO; and
7. Initiate and oversee the annual CEO evaluation process.

## 6. THE ROLE OF THE COMPANY SECRETARY

The Company Secretary is charged with facilitating the Company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all Directors have as of right access to the Company Secretary.

The tasks of the Company Secretary shall include:

### Meetings and Minutes

- notifying the Directors in writing in advance of a meeting of the Board as specified in the Constitution;
- ensuring that the Agenda and Board papers are prepared and forwarded to Directors prior to the Board Meeting as set out in the Board Policy Manual;
- recording, maintaining and distributing the Minutes of all Board and Committee Meetings as required;
- maintaining a complete set of Board Papers at the Company's main office.
- preparing for and attending all Annual and Extraordinary General Meetings of the Company; and
- recording, maintaining and distributing the Minutes of all General Meetings of the Company.

### Compliance

- overseeing the Company's Compliance Program and ensuring all Company legislative obligations are met;
- ensuring all requirements of ASIC, the ATO and any other regulatory body are fully met; and
- providing counsel on Corporate Governance Principles and Directors' liability.

### Governance Administration

- maintaining the Register of Ongoing Conflicts of Interests and the Register of Related Party Transactions;
- maintaining a Register of Company Policies as approved by the Board;
- maintaining, updating and ensuring that all Directors have an up to date copy of the Board Charter and associated Governance documentation;
- maintaining the complete list of the Delegations of Authority;
- reporting at each Board Meeting the documents executed under a Power of Attorney, documents executed in accordance with section 127 of the *Corporations Act*, and reporting on the use of the seal register; and
- any other services the Chairman or Board may require.

## 7. THE ROLE OF THE CEO

The Chief Executive Officer (CEO) is responsible for the attainment of the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board. The position reports directly to the Board.

The CEO's primary objective is to ensure the ongoing success of the Company through being responsible for all aspects of the management and development of the Company. The CEO is of critical importance to the Company in guiding the Company to develop new and imaginative ways of winning and conducting business. The CEO must have the industry knowledge and credibility to fulfil the requirements of the role.

The CEO will manage a team of Executives responsible for all functions contributing to the success of the Company.

The CEO's specific responsibilities will include:

- Develop, in conjunction with the Board, the Company's vision, values, and goals;
- Responsibility for the achievement of corporate goals and objectives;
- Development of short, medium and long-term corporate strategies and planning to achieve the Company's vision and overall business objectives;
- Preparation of business plans and reports with the Senior Management; developing with the Board the definition of ongoing corporate strategy; implementing and monitoring strategy and reporting/presenting to the Board on current and future initiatives;
- Advise the Board regarding the most effective organisational structure and oversee its implementation;
- Assessment of business opportunities of potential benefit to the Company;
- Responsibility for proposals for major capital expenditure to ensure their alignment with corporation strategy and justification on economic grounds;
- Sustain competitive advantage through maximising available resources, encouraging staff commitment and strategically aligning the corporate culture with the organisation's goals and objectives;
- Establish and maintain effective and positive relationships with Board members, shareholders, customers, suppliers and other government and business liaisons;
- Undertake the role of key company spokesperson;
- Recommend policies to the Board in relation to a range of organisational issues including delegations of authority, consultancies and performance incentives;
- Ensure statutory, legal and regulatory compliance and comply with corporate policies and standards;
- Ensure appropriate risk management practices are in place;
- Develop and motivate direct reports and their respective teams;
- Select and appoint key staff (direct reports); and
- Ensure there is an appropriate staff appraisal system in place in the Company.

## PART B – BOARD PROCESSES

### 8. BOARD MEETINGS

Board Meetings are a fundamental component of governance processes. Each Board Meeting is critical, as it is the main opportunity for Directors to:

- obtain and exchange information with the senior management team;
- obtain and exchange information with each other; and
- make decisions.

The Board Meeting Agenda is equally as important because it shapes the information flow and subsequent discussion.

#### 8.1 Meeting Frequency

The Board will meet approximately eight (8) times per year but no less than six (6) times per year and, unless otherwise agreed, Committees will generally meet on a half-yearly basis. Where Board and Committee Meetings are scheduled for the same month, where possible, Committee Meetings will precede the Board Meeting by a least one week to allow the circulation of the Minutes of the Committee meeting prior to the Board Meeting.

#### 8.2 Meeting Time and Location

The Board meets at the Company's registered office or via electronic means as permitted under the Company's constitution. Board meetings may be face to face or by alternative forms of communication such as teleconference. Board Meeting times may vary depending on the Agenda of each individual meeting, the availability of key participants and the location in which the meeting is taking place.

#### 8.3 Meeting Cycle

To assist the smooth running of Board processes, the Board has adopted an indicative monthly cycle as follows. The indicative cycle gives Board Members seven days to review the Agenda and Board Papers to save valuable time at meetings by being prepared for discussions and allowing them to seek clarification or further information in advance on ambiguous items.

Under normal circumstances, Board Meetings shall follow the following monthly cycle:

ITEM	DAY
Company Secretary prepares and confirms the proposed Agenda with the Chairman	-7
Board papers and Agenda are finalised	-3
Board papers are printed	-3
All Board papers are circulated to Board Meeting attendees	-3
Board Meeting	0
Draft Minutes sent to Chairman	3 to 5
Draft Minutes sent to Directors	Next meeting papers

All days indicated are calculated in relation to the Board Meeting day (day zero).

Please note, that this is an indicative cycle only. The actual timing of events in the lead up to and follow up from Board Meetings will be dependent upon the circumstances surrounding each individual meeting.

## **8.4 Conduct of Meeting**

The Chairman will determine the degree of formality required at each meeting while maintaining the decorum of such meetings. As such, the Chairman will:

- ensure that all members are heard;
- retain sufficient control to ensure that the authority of the Chair is recognised. This may require a degree of formality to be introduced if this is necessary to advance the discussion;
- take care that the decisions are properly understood and well recorded; and
- ensure that decisions and debates are completed with a formal resolution and recording the conclusions reached.

## **8.5 Quorum and Voting at Meetings**

In order for a decision of the Board to be valid, a quorum of Directors must be present. In accordance with the Company's constitution a quorum is 2 Directors present and entitled to vote. Questions arising at Board Meetings are to be decided by a majority of votes of Directors who are present or via telecommunications device and entitled to vote.

## **8.6 Written Resolutions**

As provided by the Constitution, a written resolution or circular resolution may be passed on the basis that it is signed by a majority of all current Directors.

# **9. BOARD MEETING AGENDA**

## **9.1 Agenda Content**

An Agenda will be prepared for each Board and also for each Committee Meeting (if applicable).

## **9.2 Agenda Preparation**

The Company Secretary, in consultation with the Chairman and the CEO is responsible for preparing an Agenda for each Board Meeting. However, any Director may request items to be added to the Agenda for upcoming meetings. The Company Secretary circulates the Agenda to all Directors with the Board Papers at least three days prior to the meeting.

# **10. BOARD PAPERS**

## **10.1 Preparation and Circulation of Board Papers**

The Company Secretary together with the CEO is responsible for the preparation and circulation of Board Papers. The Board Papers will be circulated to Directors prior to the Board Meeting. If a Board Paper relates to a matter in which there is a known conflict of interest with a particular Director then the relevant Board Paper will be removed by the Company Secretary on the instructions of the Chairman, from the set of Board Papers sent to that Director. In the case of the Chairman having a conflict of interest, the Board will appoint another Director to make final decisions on the forwarding of Board Papers to the Chairman.

## **10.2 Retention of Board Papers.**

The Company Secretary maintains a complete set of Board Papers at the Company's headquarters. However, individual Directors may retain their own Board Papers in a secure location.



## **11. BOARD MINUTES**

Minutes are to be a concise summary of the matters discussed at a Board Meeting. Minutes will contain a brief reference to relevant Board Papers tabled plus any official resolutions adopted by Directors. All decisions will be recorded in the Minutes by means of a formal resolution.

## **12. BOARD CALENDAR**

In order to provide an even distribution of work over each financial year, the Board will adopt a twelve-month Board Calendar. Included will be all proposed Board and Committee Meetings as well as major corporate and Board activities, such as strategic planning and the CEO's Evaluation, to be carried out in particular months. It will be updated and approved prior to the start of each calendar year.

## **13. COMMITTEES**

When the numbers of independent non-executive directors permits, the Board has two committee's:

- Audit, Risk and Compliance Committee
- Remuneration and Nomination Committee

It is expected that each committee will have a Committee Charter that has been approved by the Board. Nevertheless, the Board has the ability to alter the roles of each committee as it sees fit. The Committee Charters for each committee are Attachments A & B respectively.

Due to size and composition of the board the functions of these two committees are fulfilled by the full board.

## PART C - KEY BOARD FUNCTIONS

### 14. THE BOARD AND STRATEGY

Each year the Board will approve a formal strategic planning process that articulates the respective roles and levels of involvement of the Board, Senior Management and other employees and will review the strategic plan for the Company Group.

### 15. CONTACTS AND ADVISORY ROLE

#### 15.1 CEO Advisory Role

It is recognised that a key directorial duty is providing a sounding board for CEO ideas and challenges. Recognising that the CEO-Board relationship is critical to effective corporate governance, Directors should provide frank and honest advice to the CEO. It is expected that the Chairman will play a key part of this role and will maintain regular contact with the CEO.

All advice should be constructive in nature and provided in a positive manner. Where appropriate, Directors should recommend possible alternative advisers if they do not feel adequately trained to assist.

#### 15.2 Protocol for Interaction with Internal and External Parties

##### *15.2.1 Media Contact and Comment*

The Board has designated the CEO or the Chairman (where appropriate) to speak to the press on matters associated with the Company. In speaking to the press, the CEO or the Chairman will not comment on price sensitive information that has not already been disclosed to ASX, however, they may clarify previously released information. To assist in safeguarding against the inadvertent disclosure of price sensitive information the CEO and the Chairman will be informed of what the Company has previously disclosed to the market on any issue prior to briefing anyone outside the Company.

There will be times when Directors and Employees will be approached by the media for public comment. On such occasions the Director(s) or Employee(s) should comply with the following:

1. refer the person to the CEO or Chairman of the Board as appropriate for comment;
2. refrain from disclosing any information, documents or other forms of data to the person without the prior consent of the CEO or the Chairman of the Board;
3. report the person who contacted the Director/employee, the reason (explicit or inferred) for the contact and a summary of any other relevant information as soon as possible to the CEO or the Chairman of the Board.

##### *15.2.1 External Communications including Analyst Briefings and Responses to Shareholder Questions*

The Company discloses its financial and operational results to the market each half year/quarter as well as informing the market of other events throughout the year as they occur. Quarterly financial reports, media releases and AGM speeches are all lodged with the ASX. As all financial information is disclosed through the ASX, the Company will only comment on factual errors in information and underlying assumptions when commenting on market analysts' financial projections, rather than commenting on the projections themselves.

In addition to the above disclosures, the Company does conduct briefings and discussions with analysts and institutional investors. However, price sensitive information will not be discussed unless that particular information has been previously formally disclosed to the market via an ASX announcement. Slides and presentations used in briefings will also be released immediately prior to the briefing to the market via the ASX.

After the conclusion of each briefing or discussion, it will be reviewed to determine whether any price sensitive information has been inadvertently disclosed. If any price sensitive information was disclosed, it will be announced immediately to the ASX.

### **15.3 Hospitality and Gifts**

While the Company recognises the need from time to time to give or accept customary business courtesies in accordance with ethical business practices, Directors and Officers will not solicit such courtesies and will not accept gifts, services, benefits or hospitality that might influence, or appear to influence, the Directors' and officers' conduct in representing the Company.

## **16. MONITORING**

Another essential function of the Board is to monitor the performance of the organisation in implementing its strategy and overall operational performance. This will be done on an annual basis. The Board will meet annually, usually after the Annual General Meeting and review its operations and achievements during the year and critically appraise the achievement of corporate objectives, the performance of management and the board.

## **17. COMPLIANCE**

The Board is charged with implementing, reviewing and ensuring the integrity and effectiveness of the Company's compliance systems. The Board has established an Audit, Risk and Compliance Committee that is responsible for overseeing the Company's compliance systems and reporting to the Board on those systems.

## **18. RISK MANAGEMENT**

Since risk management is a complex and critical component of the Company's governance, the Board has established an Audit Risk & Compliance Committee to oversee and guide the detail of this topic. The CEO is charged with implementing appropriate risk systems within the Company. Aspects of this process may be delegated.

The risk management system is based on the Australian Standard *AS/NZS 4360:1999*. The key components of the system are available from the Company upon request.

Risk management is considered a key governance and management process. It is not an exercise merely to ensure regulatory compliance. Therefore, the primary objectives of the risk management system at the Company are to ensure:

- all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off,
- regulatory compliance and integrity in reporting is achieved; and
- Senior Management, the Board and Investors understand the Risk Profile of the Company.

In line with these objectives the system covers:

- Operations risk;
- Financial reporting; and
- Compliance.

The Risk Management Committee reviews all major strategies and purchases for their impact on the risk facing the Company and makes appropriate recommendations to the Board. The Company also undertakes an annual review of operations to update its Risk Profile. This normally occurs in conjunction with the strategic planning process. A Risk Profile of the Company is contained in the Corporate Governance section of the Company's website.

The Board receives periodic reports on those areas of risk identified by the Audit, Risk and Compliance Committee. In addition, as specified by Recommendation 7.2 of the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*, the CEO and CFO provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements.

## **19. DELEGATION OF AUTHORITY**

Directors are responsible for any delegations of their responsibilities with regard to corporate operations. As such, they decide as a Board what Company matters are delegated to either specific Directors or Management. In addition, they outline what controls are in place to oversee the operation of these delegated powers.

As a consequence, individual Directors have no individual authority to participate in the day-to-day management of the Company including making any representations or agreements with member companies, suppliers, customers, employees or other parties or organisations.

The exception to this principle occurs where the Board through resolution explicitly delegates an authority to the Director individually. Additionally, it is recognised that all Executive Directors will carry significant delegated authority by virtue of their management position as outlined in a relevant Board resolution.

Similarly, Committees and their Members require specific delegations from the Board as a whole and these will be contained in each Committee's respective Terms of Reference.

### **19.1 General Delegations**

A summary list of delegations and authorities is provided to all operating units and Company locations, while a complete list is held in the Company's safe custody.

In general, the Board delegates all powers and authorities required to effectively and efficiently carry out the Company's business. Listed below are the exceptions to these delegations, whereby the Board or appropriate Committee reserves the powers as indicated.

### **19.2 Decisions Requiring Board Approval**

The following decisions must be referred to the Board for approval:

- Acquiring, selling or otherwise disposing of property in excess of 5% of total assets of the Company;
- Founding, acquiring or selling subsidiaries of or any company within the Company, participating in other companies or dissolving or selling the Company's participation in other companies (including project joint ventures);
- Acquiring or selling patent rights, rights in registered trademarks, licences or other intellectual property rights of the Company;
- Starting new business activities, terminating existing business activities or initiating major changes to the field of the Company's business activities;
- Approving and/or altering the annual business plan (including financial planning) for the Company or any part of the Company;
- Taking or granting loans which exceed \$100,000 (including, without limitation, the placing of credit orders, issuing of promissory notes or loans against IOUs);
- Granting securities of any type;
- Granting loans to Company officers or employees and taking over guarantees for the Company's officers and employees;
- Determining the balance sheet strategy for the Company or any part of the Company;
- Entering into agreements for recurring, voluntary, or additional social benefits, superannuation agreements or agreements for general wage and salary increases;
- Determining the total amount of bonuses and gratuities for Company officers and employees;

- Determining the appointment, termination, prolongation of employment or amendment to conditions of employment of members of the Board of Directors; and
- Granting or revoking a power of attorney or limited authority to sign and/or act on behalf of the Company.

## **PART D - CONTINUING IMPROVEMENT**

### **20. DIRECTOR PROTECTION**

#### **20.1 Information Seeking Protocol**

Directors will adhere to the following protocol when seeking information:

1. approach the Company Secretary to request the required data;
2. if the data is not forthcoming, approach the Chairman;
3. if the information is still not forthcoming, write a letter to all Board Members and the CEO detailing the information that is required, purpose of the information, and who the Director intends to approach in order to obtain the information; and
4. as a last resort, employ the provisions of the *Corporations Act*.

#### **20.2 Access to Professional Advice**

A Director of the Company is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation a Director may, from time to time, need to seek independent, expert opinion on matters before them.

All Directors have the individual authority to commit the company to up to \$10,000 per annum in professional advice.

Prior to seeking professional advice, a Director shall inform the Chairman about the nature of the opinion or information sought, the reason for the advice, the terms of reference for the advice and the estimated cost of the advice. Where more than one Director is seeking advice about a single issue, the Chairman shall endeavour to coordinate the provision of the advice.

If the cost of professional advice is likely to exceed \$10,000, the Director shall seek authority from the Chairman prior to engaging an external expert. The Chairman has delegated authority to authorise expenditures up to \$50,000. If the Chairman withholds authorisation, the Director has the right to seek authority from the Board at the next Board Meeting.

If the cost of professional advice is likely to exceed \$50,000, then the Board must approve the engagement of an external expert.

Advice so received should be received on behalf of the Board as a whole.

#### **20.3 Access to Board Papers**

The Directors have the right to access Board Papers as granted by the Corporations Act.

#### **20.4 Insurance**

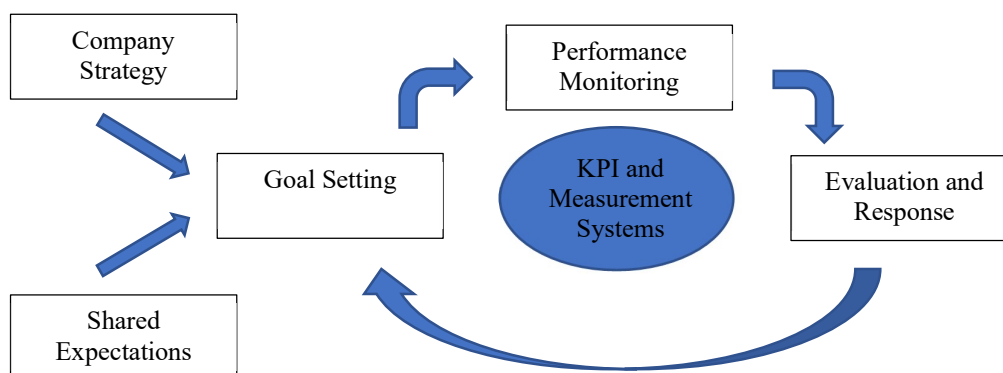
The Company maintains a Directors' & Officers' Liability Policy,

## 21. BOARD AND SENIOR EXECUTIVE EVALUATION

### 21.1 Evaluation Process

The Board considers the evaluation of its own and Senior Executives' performances as fundamental to establishing a culture of performance and accountability. The common process that guides evaluation at the Company is set out in Figure 1 and ensures that those evaluated clearly understand performance expectations prior to the evaluation period.

Figure 1: Performance Evaluation Cycle



### 21.2 Board and Director Evaluations

The Board considers the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the Board undertakes an Annual Evaluation of the Board and Directors' performances. The review is based on a number of goals for the Board and individual Directors that are established at the start of the year. The goals are based on corporate requirements and any areas for improvement identified in previous reviews.

### 21.3 Board Committee Evaluations

At the end of each year, the Board reviews the performance of the Committees and itself against set expectations. Based upon the review, individuals and groups are provided with feedback on their performance. The results of the review are a key input into the expectations set by the Board.

### 21.4 Senior Executive Evaluations

All Senior Executives at the Company are subject to an annual performance evaluation. Each year, Senior Executives (including the CEO) establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and the Company's requirements of the position. In the case of the CEO, these targets are negotiated between the CEO and the Remuneration and Nomination Committee (or the full Board in the absence of a Remuneration and Nomination Committee) and signed off by the whole Board.

An informal assessment of progress is carried out half year. A full evaluation of the Executive's performance against the agreed targets takes place at the end of the 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.

## **22. NON-EXECUTIVE DIRECTOR REMUNERATION**

### **22.1 Fees**

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 Remuneration and Nomination Committee (or full Board in the absence of a Remuneration and Nomination Committee) from time to time. Additional fees are 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.

### **22.2 Performance-Based Bonus**

Non-executive Directors do not receive performance-based bonuses.

### **22.3 Equity-Based Remuneration**

Non-executive Directors may choose to receive shares in the Company as part of their remuneration instead of receiving cash. However, Non-executive Directors may not participate in equity schemes of the Company, such as option schemes, without shareholder approval.

### **22.4 Other Benefits**

Non-executive Directors are entitled to statutory superannuation. In addition, Non-executive Directors do have their indemnity insurance paid by the Company.

## **23. DIRECTOR DEVELOPMENT**

The Company is committed to continuing development of its Directors and Executives. In line with this commitment, there is an expectation that all Directors and Senior Executives will commit to at least 2 days of professional development each year. The Board allocates an annual budget of \$10,000 to encourage Directors to participate in training and development programs. Any Director wishing to undertake either specific directorial training or personal development courses is expected to approach the Chairman for approval of the proposed course. Development may be in both governance and governance processes or in the Company's industry.



## 24. DIRECTOR INDUCTION

New Directors will undergo an induction process in which they will be given a full briefing on the Company. This will include meeting with key Executives, tours of the premises, an induction package and presentations.

Information conveyed to the new Director will include:

- details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements including:
  - *Corporations Act*;
  - Tax Office requirements; and
  - other major statutory bodies;
- a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the company including:
  - core competencies of the Company;
  - an industry background briefing;
  - a recent competitor analysis;
  - details of past financial performance; current financial structure; and
  - any other important operating information;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; ·
- a copy of the Constitution of the Company; and
- Directors' Deed of Indemnity and Right of Access to Documents, if applicable.

## **ATTACHMENTS**

Attachment A... Audit, Risk and Compliance Committee Charter

Attachment B... Remuneration and Nomination Committee Charter

Attachment C... Code of Conduct Policy for Directors

Attachment D... Share Trading Policy