



# MEMO

To: Board of Directors  
From: Company Secretary  
Subject: **CORPORATE GOVERNANCE**

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“Corporate governance” embraces the principles and processes by which companies are directed and managed.

The degree of governance is reflected through structures and systems established in companies to provide control and accountability by management to the board. It is influenced by corporate objectives and performance commensurate with the level of risk management.

## **Corporate Governance Principles**

The Corporate Governance Council (established under the auspices of the ASX and comprising representatives of 21 professional bodies and other relevant organisations) has promulgated 8 core principles of corporate governance for adoption by ASX-listed companies and over time, it is envisaged, the wider corporate community:

1. Lay solid foundations for management and oversight
2. Structure the board to add value
3. Promote ethical and responsible decision-making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognize and manage risk
8. Remunerate fairly and responsibly

## **Best Practice Recommendations**

To achieve these principles 27 recommendations have been enunciated. Whilst adoption is not mandatory for ASX-listed companies, they must disclose in their Annual Report the extent to which they have complied with the recommendations or explain why not.

The recommendations articulate best practice governance through the formulation and publication of policies and the establishment of committees (to also be publicised through the company’s Annual Report and/or the website) encompassing:



- Board Charter<sup>0</sup> (including Policy on delegated authority to management)
- Nomination Committee<sup>1</sup> (incl Charter and Policy for selection and appointment of directors)
- Ethical Code of Conduct
- Share Trading Policy<sup>2</sup>
- Audit Committee<sup>3</sup> (incl Charter and Policy on selection, appointment and rotation of external audit partner)
- Continuous Disclosure Policy
- Investor Communication Policy
- Risk Management Policy (incl internal compliance and control)
- Policy for board and executive performance evaluation
- Remuneration Committee (incl Charter and Policy covering directors and executives)
- Stakeholder Code of Conduct

<sup>0</sup> Board Charter should specify roles and responsibilities of directors and executives

<sup>1</sup> Majority of board (and chairman) should be independent

<sup>2</sup> To include Policy on acquiring at a discount and/or trading in company products

<sup>3</sup> Audit Committee chairman should be an independent non-executive director (not board chairman) and members should be non-executive of which majority are independent and at least one must have financial expertise; CEO and CFO must sign-off accounts for board.

## General Corporate Governance

On 3 July 2003 the Australian Standard “Good Governance Principles” AS5059 was also released designed to provide a blueprint for the development and implementation of a generic system of governance suitable for a wide range of entities. This document essentially covers similar issues to the ASX Principles and expands on a number of areas more relevant to unlisted companies and other organisations.

## Summary

It is considered that all companies – whether listed or not – should adopt ‘best practice’ governance through structures and systems established to provide control and accountability by management to the board.

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*The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.*