

## CORPORATE GOVERNANCE

The Board of Saunders has adopted a suite of Corporate Governance Policies to ensure that the Company is effectively directed and managed, risks are identified, monitored and assessed, and appropriate disclosures made.

In developing and adopting the Policies, the Board considered the ASX Principles of Corporate Governance and Best Practice Recommendations (**ASX Principles**). The Board incorporated the ASX Principles into the Policies to the extent that they were appropriate, taking into account the Company's size, activities and resources.

The Board has adopted the following Charters Policies and Codes:

### The Board Charter

The Board is responsible for, and has the authority to determine, matters relating to strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board has adopted a Board Charter which sets out the responsibilities of the Board, including the following responsibilities:

- i. oversight of the Company, including its control and accountability systems;
- ii. appointing and removing the CEO, including approving remuneration of the CEO and the remuneration policy and succession plans for the CEO;
- iii. ratifying the appointment and, where appropriate, the removal of the CFO and the Company Secretary;
- iv. input into the final approval of management's development of corporate strategy and performance objectives;
- v. reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- vi. monitoring senior management's performance and implementation of strategy, ensuring appropriate resources are available and ensuring succession plans are in place;
- vii. approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- viii. approving and monitoring financial and other reporting; and
- ix. ensuring the Company complies with its responsibilities under the Corporations Act, the ASX Listing Rules, the Company's Constitution and other relevant laws.

The Charter provides for the Board to delegate specific matters to Senior Management, or to committees established by the Board.

The composition of the Board is determined in accordance with the following general principles:

- the Board will initially comprise 4 Directors
- a minimum of two Directors shall be independent non-executive Directors; and
- the Board shall comprise Directors with a broad mix of business expertise and experience.

The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisers where considered appropriate.

### Board Committees and their Charters

In order to better manage its responsibilities, the Board has established an Audit Committee and a Remuneration Committee. Each committee has adopted a Charter approved by the Board, setting out its responsibilities.

Each committee is comprised of at least two non-executive Directors.

### **Code of Conduct for Directors and Senior Executives**

To promote ethical and responsible decision-making, the Board has adopted a Code of Conduct for Directors and Senior Executives.

The Code deals with the following main areas:

- integrity and professionalism;
- responsibility to shareholders;
- compliance with the law;
- conflicts of interest;
- confidential information;
- inside information employment practices;
- responsibility to the broader community.

### **Securities Trading Policy – Directors and Senior Executives**

The Company has a Securities Trading Policy for Directors and Senior Executives. The policy identifies the windows when securities of the Company may and may not be traded. The policy requires Directors and Senior Executives to advise the Chairman if they intend to trade in securities of the Company so that the Chairman can determine whether there is any impediment to such a proposed trade.

The Securities Trading Policy clearly identifies those individuals who are restricted from trading and the relevant laws relating to trading.

### **Shareholder Communication Policy**

The Shareholder Communication Policy is designed to promote effective communication with Shareholders and encourage participation at general meetings.

The Board aims to ensure that all Shareholders of the Company are kept informed of all material developments affecting the Company's business. Information will be communicated to Shareholders through announcements to ASX, the Company's annual report, annual general meetings, half yearly and full year results, and the Company's website, [www.saunders-international.com.au](http://www.saunders-international.com.au).

### **Continuous Disclosure Policy**

The Company's Continuous Disclosure Policy is designed to ensure compliance with the ASX Listing Rules and disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Disclosure Policy includes vetting and authorisation processes designed to ensure that Company information:

- is disclosed in a timely manner;
- in factual;
- does not omit material information; and
- is expressed in a clear and objective manner.

**ASX Corporate Governance Principles and Recommendations**

The ASX has released the 2<sup>nd</sup> edition of the Corporate Governance Principles and Recommendations. There are 8 principles identified in this document. The following table sets out the Company's position in relation to each of the Principles.

<b>Principle</b>	<b>Comment</b>
<b>Principle 1:</b> Lay Solid Foundations for Management and Oversight	The Company complies with this principle.
<b>Principle 2:</b> Structure the Board to Add Value	<p>The Company complies with this principle except as follows.</p> <p>Recommendation 2.1 A majority of the board should be independent directors. The Company does not comply with this recommendation in that only 50% of the directors are independent. The Company considers the composition to be in its best interests. The size of the company and the specialist nature of its activities is best served by a small board with an adequate component of Company and industry specific knowledge.</p> <p>Recommendation 2.2 The chair should be an independent director. The Company does not comply with this recommendation in that the Chairman is not independent. The Company considers this to be appropriate and in its best interests. The size of the company and the specialist nature of its activities is best served by a chairman with Company and industry specific knowledge and significant equity in the Company.</p> <p>Recommendation 2.4. The board should establish a nomination committee. The Company does not have a Board nomination committee as it does not consider this to be warranted in the Company's circumstances, given the size of the Company and its Board.</p>
<b>Principle 3:</b> Promote Ethical and Responsible Decision Making	The Company complies with this principle. The Company has a Code of Conduct for Directors and Senior Executives and a Securities Trading Policy.
<b>Principle 4:</b> Safeguard Integrity in Financial Reporting	The Company complies with his principle. The company has established an Audit Committee.
<b>Principle 5:</b> Make Timely and Balanced Disclosure	The Company complies with this principle. The Company has a Continuous Disclosure Policy.
<b>Principle 6:</b> Respect the Rights of Shareholders	The Company complies with this principle. The Company has a Shareholder Communication Policy.
<b>Principle 7:</b> Recognise and Manage Risk	The Company complies with this principle. The Company has established an Audit Committee, the Charter of which covers the identification and management of areas of significant risk.
<b>Principle 8:</b> Remunerate fairly and responsibly	The Company complies with this principle to the extent appropriate for the company size and industry sector. The Company has established a Remuneration Committee.