

## **CORPORATE GOVERNANCE**

Your Board of Directors strongly supports good corporate governance but is mindful that the practices needed to implement good corporate governance vary considerably from company to company. Therefore the Board has arranged the Company's reporting on corporate governance practices to align with the 10 principles of the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* ("the ASX Recommendations").

Where the Company's practices depart from the ASX Recommendations, the exceptions will be identified and the Board's reasons for an alternate approach will be explained. Where the Board supports a recommendation but is yet to fully implement a complementary policy or practices, this will be also be identified.

Your Board of Directors has been progressively developing and implementing the corporate governance practices described in this report in the period under review.

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

#### **The Role of the Board and Management Team**

The Board is responsible for:

- setting and reviewing strategic direction and planning;
- reviewing financial and operational performance;
- establishing and monitoring delegated authorities;
- identifying principal risks and reviewing risk management strategies; and
- considering and reviewing major business initiatives, significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, customers, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Executive Director and the management team. The management team, led by the Executive Director, is accountable to the Board. The role and duties of Managing Director are undertaken by the Executive Director.

In delegating the operation of the Company to the Executive Director, the Board reserves the following powers to be exercised solely by the Board:

- The composition, remuneration or operation of the Board of Directors
- Any matter resolved by a properly convened meeting of the Board of Directors
- Adopting signing or otherwise endorsing reportable financial results of the Company
- Setting general strategic direction
- Matters pertaining to the Company's auditors
- Appointment or removal of the Manager Finance and Administration or Company Secretary
- Rights of access to the Company's staff and records
- Issuing shares, options or debentures
- Loan agreements with a principal amount over \$10,000
- Contractual obligations over \$100,000 per contract
- Acquisition of land and leases of premises or land
- Contractual obligations in excess of three years
- Contractual obligations where the Executive Director has a material personal interest
- Related Party Transactions
- Contractual obligations which are not consistent with (or a consequence of) the strategic direction of the Company
- Contractual obligations that incur a material liability not identified in a budget approved by the Board

## ***Principle 2 Structure The Board To Add Value***

### **Composition of the Board**

The Board seeks to nominate persons for appointment to the Board who have the suitable qualifications, experience and skills to augment the capabilities of the Board. The Board supports the principle of having a majority of non-executive and independent directors on the Board, but is mindful that in the early stages of development of the Company's business plan, other competing priorities, which may impact on Board's structure, could be of greater importance to the shareholders in terms of preserving and growing shareholder wealth, than the independence of the directors.

The Board will maximise non-executive and independent representation on the Board within the constraints of prudent management practice.

A director is deemed to be independent by the Board where they are:

- A non-executive director;
- Not a substantial shareholder, being a shareholder with a relevant interest of more than 5% of voting shares;
- Not a director, officer or related party of a substantial shareholder; and
- Not a director, officer or related party of a third party dealing with the Company in respect of a potential or actual material contract.

Based on disclosure, provided by the directors to the Board, the following directors are currently 'Independent Directors':

- Jesse Taylor (Chairman)
- Roger Tan Kim Hock

The Chairman of the Board, Jesse Taylor, is an independent non-executive director. Although Stephen de Belle is presently a non-executive director he is not considered an 'Independent Director' as he was an executive director for the majority of the year.

The skills and experience of the directors is detailed in the Directors Report elsewhere in this Annual Report.

With the prior approval of the Chairman, directors may seek independent professional advice at the Company's expense.

### **Board Committees**

The Company currently maintains two standing Board committees:

- the Audit Committee; and
- the Remuneration Committee.

Additional board committees and sub-committees of any board committee may be formed temporarily for specific purposes and/or to exercise specified authority of the Board.

The Audit Committee Members are:

- Jesse Taylor
- CK Lee
- Roger Tan Kim Hock

The Remuneration Committee members are:

- CK Lee (Chairman)
- Jesse Taylor
- Roger Tan Kim Hock

The standing committees have established formal charters. These charters include:

- Membership of the standing committees is limited to non-executive directors
- Where possible a majority of independent directors will make up the membership of the standing committees
- Where possible at least three members will be appointed to each standing committee
- The Chairman of the Board shall not be the Chairman of a standing committee

Board members are not provided with any additional remuneration in respect of any standing board committee memberships.

Recommendation 2.4 of the ASX Recommendations states that '*The Board should establish a nomination committee*'. Given the relatively small number of members on the Board and the early stage of implementation of the Company's business development plan, the Board has determined to retain the nomination of new Board members as a full Board function. The Company does not currently have written policy or written procedures governing the selection and appointment of new directors, except as described in the 'Composition of the Board' section above.

### **Principle 3 Establish a code of conduct**

#### **Ethical Behaviour**

The Board has endorsed a Company-wide Code Of Conduct, which applies to all members of the company. The Code is designed to provide guidance to employees and members of the Board on the standards of behaviour expected in the discharge of their duties on behalf of the Company.

#### **Code Of Conduct**

- Uphold the good reputation of the Company
- Treat people with respect, courtesy and without harassment
- Act fairly in dealings with other people and organisations
- Behave honestly and do not provide false or misleading information
- Act with integrity, in good faith, for a proper purpose and always in the best interests of the Company
- Discharge your duties for the Company with care and diligence
- Comply with applicable laws
- Maintain Company confidentiality and protect personal privacy
- Use Company resources properly and appropriately and only for the benefit of the Company
- Always avoid and where necessary disclose actual or potential conflicts of interest
- Do not improperly use 'inside information' gained from the Company to gain advantage for yourself or someone else or to the detriment of the Company
- Do not improperly use your position to gain advantage for yourself or someone else or to the detriment of the Company
- Comply with reasonable and lawful direction of the Company

The following persons are responsible for investigating reports of unethical behaviour, should the need arise:

- Chairman of the Board: - Investigation of a report of unethical behaviour by a director or the company secretary
- Chairman of the Audit Committee – Investigation of a report of unethical behaviour by the Chairman of the Board
- The Company Secretary: - Investigation of a report of unethical behaviour by any employee of the Company or a contractor representing the Company.

#### **Trading in the Company's Securities by Directors, Officers and Employees.**

The Company has a Securities Trading Policy which provides a clear determination of when it is appropriate for directors, officers and employees to trade in the securities of the Company. The Company includes

appropriate clauses in all employment contracts and service contracts, aimed at highlighting the obligations imposed on individuals in this regard. Employees are also briefed on their obligations in regard to trading in the securities of the Company at the time of their induction into the Company.

#### ***Principle 4 Safeguard Integrity in Financial Reporting***

##### **Auditing**

The Executive Director of the Company signs off an audit representation letter addressed to the Auditor, which states 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. The Audit Committee notes this written advice to the Auditor when considering the financial accounts of the Company.

The Company operates an Audit Committee, as described in the section 'Board Committees' above. The number of Audit Committee meetings held and the directors in attendance are detailed in the Directors' Report section of the Annual Report.

The Company's current audit firm, Ernst & Young, rotates Audit Partners routinely in accordance with current best practice. The appointment, replacement and remuneration of the Company's Auditor is a 'retained power' of the Board which is discharged by the Audit Committee.

#### ***Principle 5 Make Balanced and Timely Disclosure***

##### **Continuous Disclosure**

Given the small size of the Board of Directors, all material announcements are approved for release by the Executive Director following circulation to Board members. The Executive Director is also responsible for identifying continuous disclosure matters for circulation to the Board. To ensure timely release of information, announcements are not delayed where a Board member is unable to be contacted. Simple compliance type announcements are approved for release by the Company Secretary.

The Company maintains a Continuous Disclosure Register which is reviewed at each Board Meeting to ensure compliance with Continuous Disclosure requirements. It is the intention of the Company to further refine and document its Continuous Disclosure regime over the coming year.

The Company posts all ASX announcements on its website.

#### ***Principle 6 Respect the Rights of Shareholders***

##### **Communications with Shareholders**

In addition to complying with ASX and statutory requirements for reporting and disclosure, the Company provides copies of all announcements, reports and topical information on its website. The website also provides a portal for shareholders and others to put questions to the Company.

The Chairman of the Board always provides the opportunity for shareholders to ask questions at General Meetings and manages the question period to allow the maximum number of shareholders to do so. The Company's Auditor is always invited to attend Annual General Meetings and is available to answer questions on audit matters.

#### ***Principle 7 Recognise and Manage Risk***

##### **Risk Management**

Your Board of Directors recognise that all businesses face a myriad of risks, regardless of their commercial performance. For an organisation to remain successful over many years it must have a culture of proactive risk assessment and mitigation. The Company intends to build on its current risk strategies to develop a fully integrated risk management system.

The Executive Director is responsible for the ongoing development of the risk management system.

Given the relatively small number of directors on the Board, oversight of the risk management systems is retained as a full Board function. In addition to specific reports by management to the Board on material

risk matters that have or will materially alter the overall risk profile of the company, a regular compliance report regarding statutory and regulatory matters is provided by management to the Board at each Board Meeting.

*Recommendation 7.2 of the ASX Recommendations states that:*

*“the chief executive officer...should state to the board in writing that...the integrity of financial statements...is founded on a sound system of risk management and...is operating efficiently and effectively in all material respects.”*

The Board is of the view that it can contribute more effectively to risk management by exercising its oversight role than by seeking a written statement from the Executive Director on a subjective topic such as risk management. The Board is further concerned that a letter from the Executive Director may be perceived as absolving directors from their responsibilities in regard to risk management.

As a consequence, the Board's approach is for individual directors to raise questions or concerns on risk management with the Executive Director as required.

### ***Principle 8 Encourage Enhanced Performance***

#### **Performance Appraisal**

The Company does not have any formal evaluation process for the Board, individual Directors or Committees.

The Company has a formal performance appraisal system for all executive employees.

### ***Principle 9 Remunerate Fairly and Responsibly***

#### **Remuneration of the Board and Senior Management**

The Board, on advice from the Remuneration Committee, determines the fees for Non-executive Directors and the remuneration packages for the Executive Director and senior executives.

The actual remuneration paid to directors and the top 5 executives are specified in the Directors' Report section of this Annual Report.

The Company's shareholders approved total fees payable to non executive directors of \$400,000 per annum, at a general meeting held on 29 November 1996. The current directors fees payable (including superannuation contributions where applicable) are set as follows:

- Non-executive directors - \$38,150 per annum
- Non-executive chairman - \$54,500 per annum

The Company currently:

- does not have an employee share purchase scheme;
- does not have a retirement scheme for non executive directors; and
- has not issued Options to directors or officers of the Company.

The aim is to set executive remuneration and bonus arrangements at levels commensurate with equivalent positions in other organisations and is targeted at attracting and retaining appropriately skilled employees that deliver on corporate objectives. The level of executive remuneration and bonus arrangements is currently being reviewed.

***Principle 10 Recognise the Legitimate Interests of Stakeholders.***

**Midwest Corporation Stakeholders**

Your directors appreciate that it is essential to have effective communication and interaction with the many individuals and groups that are legitimate stakeholders in the operations of the Company. These legitimate stakeholders include:

- Shareholders
- Customers
- Indigenous parties
- Local communities
- Government and regulatory agencies
- The ASX
- Suppliers and contractors
- Special interest groups
- The media

The directors and employees of the Company work closely with legitimate stakeholders to facilitate effective Company operations. Directors and employees are required to comply with the Company's Code Of Conduct (noted in the Ethical Behaviour section above) in dealings with stakeholders. In addition, the Company has a number of standing policies which govern or indirectly impact on the Company's interaction with key stakeholders. These policies include:

- Privacy Policy
- Occupational Health & Safety Policy
- Workplace Anti-discrimination Policy
- Sexual Harassment Policy
- Drug & Alcohol Policy