

- › is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- › has within the last three years been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the above mentioned adviser / consultant;
- › is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- › has a material contractual relationship with the Company other than as a Director.

The concept of 'materiality' is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors.

## Appointment of Directors

Nominations of new Directors, recommended by the Nomination Committee, are considered by the full Board.

The Nomination Committee employs external consultants to access a wide base of potential Directors, considering their range of skills and experience required in light of the:

- › current composition of the Board;
- › need for independence;
- › the Company's Diversity Policy;
- › strategic direction and progress of the Company; and
- › nature of the Company's business.

The Board assesses nominated Directors against a range of criteria including experience, professional expertise, personal qualities, potential conflicts of interest and their capacity to commit themselves to the Board's activities.

## Performance Review of the Board and Senior Executives

Each year the Board receives reports from management detailing interactions with and outlining the expressed views of the Company's shareholders. The Nomination Committee is responsible for evaluation of the Board, its committees and its key executives.

Performance evaluations of the Board, its committees, the individual Directors and key executives were undertaken in the 2013 financial year in accordance with the above processes.

The Managing Director undertakes an annual review of the performance of each Senior Executive against individual tasks and objectives.

## Independent Professional Advice

Directors are able to access members of the management team at any time to request relevant information.

It is also Board policy that Directors may seek independent advice at the Company's expense.

## Board Committees

To assist the Board in fulfilling its responsibilities, the Board has established three committees to consider certain issues and functions. These committees are as follows:

- › Audit Committee;
- › Remuneration Committee; and
- › Nomination Committee.

Each committee operates under its own charter.

## Audit Committee

The members of the Audit Committee as at the date of this Report are:

- › Mr Craig Carracher (Chairman of Audit Committee);
- › Mr Ross Smyth-Kirk; and
- › Mr Peter McAleer.

The Committee has appropriate financial expertise. All members of the Committee are financially literate and have an appropriate understanding of the industry in which the Company operates.

The Audit Committee's role is to assist the Board to fulfil its responsibilities associated with the Company's accounts, its external financial reporting, its internal control structure, risk

management systems and audit function. The primary functions of the Audit Committee are to:

- › review the financial information provided by the Board to shareholders and other parties ensuring that it is true and fair and complies with relevant accounting standards;
- › ensure that corporate risk management policies and internal controls are in place and are maintained in accordance with appropriate standards and statutory requirements;
- › oversee and evaluate the quality of the audits conducted by the external auditors;
- › provide for open communication between the external auditors and the Board for the exchange of views and information; and
- › recommend to the Board the nomination and remuneration of the external auditors and ensure their independence and integrity.

In fulfilling its responsibilities, the Audit Committee has rights of access to management and to auditors (external and internal) without management present and may seek explanations and additional information.

The Audit Committee met twice during the 2013 financial year.

The Audit Committee operates in accordance with a charter published in the 'Corporate Governance' section of the Company's website.

## Auditor Independence and Engagement

The charter adopted by the Audit Committee confirms its role in assisting the Board in respect of the appointment, compensation, retention and oversight of the Company's external auditors. The external auditors are required to confirm that they have maintained their independence in accordance with the *Corporations Act 2001* (Cth) and the rules of professional accounting bodies.

The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested when deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the Directors' Report. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.