Independence and Conflicts of Interest

More than you expect.
1 Purpose of this Policy

The Board has adopted this Policy:

1.1 to assess the independence of Directors; and
1.2 to handle conflicts which may arise for Directors.

2 Independence

Board policy on ‘independence’

2.1 Independence is about whether a Director is independent of management and free of outside influences which could materially interfere with the independent and objective judgement of the Director.

2.2 It is noted that the ASX Corporate Governance Guidelines provide that generally, an independent Director will:

2.2.1 be a non-executive Director;
2.2.2 not be a substantial shareholder of the Company or an officer of or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
2.2.3 not have, within the last three years, been employed in an executive capacity by the Company or another Group Company, or been a Director after ceasing to hold any such employment;
2.2.4 not be a principal or employee of a professional advisor or consultant to a Group Company whose annual billings to the Group represent more than 5% of the advisor's or consultant's total annual billings or greater than 5% of the Company's annual (before tax) profit;
2.2.5 not be a supplier or customer whose annual revenues from the Group represent more than 5% of the Company's annual (before tax) profit or more than 5% of the supplier's or customer's total annual revenue;
2.2.6 not have a material contractual relationship with the Company or another Group Company other than as a Director;
2.2.7 be free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
2.2.8 not have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

2.3 The Board will have regard to these recommendations in determining the independence of a particular Director, but the overriding consideration will be whether a Director is independent of management and free of outside influences which could materially interfere with the independent and objective judgement of the Director.

2.4 The Board will periodically assess the Independence of each Director in the light of the interests disclosed by them, and each Director will provide the Board with all relevant information for this purpose. The Independence of Directors will be disclosed in the annual report.
Independence is distinct from conflicts of interest

2.5 A Director’s independence is different to whether that Director has or could be perceived to have a conflict of interest. The Board considers that the concepts of ‘independence’ and ‘conflicts’ should be distinguished for the purposes of assessing the independence of a director.

2.6 Any determination regarding independence does not change a Director’s obligations in relation to addressing conflicts of interest. The Board’s conflict policy is set out below.

3 Conflicts of interest

Meaning of Conflict

3.1 In this Policy, **Conflict** refers to an actual or potential conflict of interest and interest, or of interest and duty, or of duty and duty. It includes situations covered by the provisions of the Corporations Act relating to ‘material personal interests’ and ‘related party transactions’.

3.2 Directors will comply with both the letter and spirit of the law and of this Policy relating to the handling of Conflicts. When in doubt as to whether a Conflict exists, or might be perceived to exist, Directors will adopt a cautious approach and will assume that there is a Conflict and act accordingly.

Standing agenda item

3.3 Conflicts will form a standing item on the agenda of all meetings of the Board, and the Chairman will ask all Directors to declare all Conflicts at the meeting.

Protocol in the event of a potential Conflict

3.4 Where a matter on the agenda of a Board meeting is identified before the meeting as involving a Conflict for a Director(s), the Company Secretary will consult with the Chairman, or in the case of a Conflict involving the Chairman, then with another appropriate independent Director, and if appropriate the Director(s) affected by the perceived Conflict will not be sent the papers on that matter and will be informed of the reasons.

3.5 Where a matter discussed at a Board meeting involves a Conflict, the Director affected must disclose full details of the Conflict verbally, and:

3.5.1 the declaration will be incorporated in the minutes of the meeting;

3.5.2 if the other Directors are satisfied that it is a potential Conflict only, the Conflicted Director may remain in the meeting to fully participate in the discussions and voting, unless the Board resolves otherwise;

3.5.3 if the other Directors are satisfied that it is an actual Conflict:

   a) the Conflicted Director must, if required by the Board, provide full written details of the Conflict and other related information as reasonably required;

   b) the Conflicted Director must withdraw from the meeting room while the matter is discussed, and the minutes noted accordingly;

   c) before withdrawing, the Conflicted Director may address the Board or ask or answer any questions in relation to the matter (but it is in the discretion of the Board whether it is appropriate to answer the question); and
d) those Directors unaffected by the Conflict (assuming they constitute a quorum) must consider whether the Conflict requires other action to be taken in compliance with the ‘material personal interest’ provisions or the ‘related party transactions’ provisions of the Corporations Act, including whether it may require approval of shareholders, and if necessary will reserve any decision until appropriate advice can be taken on the point.

3.6 Full details of all discussions and resolutions of the Board, in absence of a Conflicted Director, are to be recorded in the minutes of the meeting, and, if thought desirable in the interests of the Company, that part of the minutes may be withheld from the Conflicted Director.