

## **CORPORATE GOVERNANCE STATEMENT - 2008**

The Directors of Inventis Limited are committed to achieving the highest standard of corporate governance. Except where specified in this statement, the Company has adopted the ASX Guidelines on "Principles of Good Corporate Governance and Best Practice Recommendations - March 2003". The Company will be transitioning to the Revised Principles released in December 2007 during 2008-09 financial year.

The Company website has a dedicated section dealing with its corporate governance on which can be found its corporate governance charter and policies.

### **1.1 The Board and Committees**

#### **1.1.1 Composition of the Board**

The Board of four Directors comprises one non-executive Independent Chairman, two independent non-executive Directors and one Executive Director being the Managing Director. Thus in line with the recommendation 2.1, the majority of the board is comprised of independent directors.

The Board is responsible for ensuring corporate governance standards and practices are maintained, providing guidance and direction to executive management and to set the overall strategic direction of Inventis.

Each member of the Board brings an independent judgement that enables them to act in the best interests of Inventis. However, the Board also recognises the formal distinction drawn by the ASX Guidelines in respect of the Non-executive Directors who are free of any business or other relationship that could, or could be perceived as, interfering with their independent judgement and those who are not.

The Chairman of Inventis, Mr Winlaw is currently a non-executive Independent Chairman.

As a team, the Board brings a broad range of qualifications with experience in management, finance, accounting, manufacturing, public company affairs and corporate governance.

Non-executive Directors are asked to commit no less than 20 days per year preparing for and attending Board and committee meetings and performing associated corporate activities. The Directors meet formally at least 11 times a year and at the Chairman's

request, informally to discuss specific matters that may arise between scheduled meetings.

### **1.1.2 Role of the Board**

The role of the Board is to provide strategic guidance for Inventis and effective oversight of its Management. While the Board retains ultimate authority over Management, it has set up a framework for delegation of authority over the day-to-day management to the Managing Director and other senior executives. These matters are set out in the Board Charter which may be found on the Company website.

The Board meets regularly to discharge its duties and each Director has signed an appointment letter setting out his/her rights and obligations as well as certain expectations.

### **1.1.3 Board Processes**

The agenda for Board meetings is prepared in conjunction with the Chairperson, the Managing Director and the Company Secretary. Standing items include the disclosure of interest, management reports, financial reports, compliance, and company secretarial matters. Submissions are circulated in advance. Executives are regularly involved in board discussions and Directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairperson and Managing Director, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson and Managing Director's approvals of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

The Board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards. To assist in the execution of its responsibilities, the Board has established a number of Board committees including a Nomination and Remuneration Committee, and an Audit and Risk Management Committee. These

committees have written mandates and operating procedures, which are reviewed on a regular basis.

**(a) Audit and Risk Management Committee**

The Audit and Risk Management Committee is currently comprised of Mr Mark Turnbull and Mr Ian Winlaw, each of whom is a Non- Executive Independent Director. Mr Turnbull is the Chairman of this committee and has a casting vote.

Both Mr Turnbull and Mr Winlaw have appropriate financial and business expertise to act effectively as members of the Audit and Risk Management Committee.

The role of the Audit and Risk Management Committee is to provide advice and assistance to the Board to allow it to:

- Fulfil its audit, accounting and reporting obligations;
- Review the annual, half-year and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASB's), and assessing whether the financial information is adequate for shareholder needs;
- Assess corporate risk assessment processes;
- Assess whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- Provide advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- Assess the adequacy of the internal control framework and the Company's code of ethical standards;

- Organise, review and report on any special reviews or investigations deemed necessary by the Board;
- Assess potential fraud situations and ensure prompt and appropriate rectification of any deficiencies or breakdowns identified in systems;
- Monitor the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements;
- Address any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions; and
- Review the performance of the external auditors on an annual basis.

**(i) Oversight of the Risk Management System**

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented a Risk Management System for assessing, monitoring, and managing operational, financial reporting, and compliance risks for the Group. The Managing Director and the chief financial officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Group, and material associates and joint ventures.

**(ii) Risk Profile**

The Audit and Risk Management Committee reports to the Board quarterly on the status of risks through integrated risk management programmes aimed at ensuring risks are identified, assessed, and appropriately managed. Each business operational unit is responsible and

accountable for implementing and managing the standards required by the programmes.

Major risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, environment, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

The Audit and Risk Management Committee has direct access to any employee, the external auditors or any other independent experts and advisers as it considers appropriate in order to ensure that its responsibilities can be carried out effectively.

### **(iii) Risk Management, Compliance and Control**

The Group strives to ensure that its products are of the highest standard. Towards this aim it has undertaken a program to achieve AS/NZS ISO 9001:2000 accreditation for each of its business segments.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

The Board's policy on internal control is comprehensive and comprises the Company's internal compliance and control systems, including:

- *Operating unit controls* - Operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals;
- *Functional speciality reporting* - Key areas subject to regular reporting to the Board include Treasury Operations, Environmental, Legal and financial matters; and
- *Investment appraisal* - Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority, and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed, monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly;
- Formal ethical standards appraisals are conducted for all employees to ensure that they are complying with the Company's Code of Ethics;
- A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur;
- Financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- Environmental regulation compliance.

**(b) Remuneration and Nomination Committee**

The Remuneration and Nominations Committee is currently comprised of Mr Pidcock as Chairman and Mr Noun.

The role of the Remuneration and Nominations Committee is to provide recommendations to the Board on matters including:

- Appropriate remuneration policies and monitoring their implementation with respect to executives, senior managers, non-

executive Directors and other key employees;

- Incentive schemes designed to enhance corporate and individual performance;
- Retention strategies for executives and senior management;
- Composition of the Board and competencies of Board members;
- Appointment and evaluation of the executive Directors and senior executives;
- Succession planning for Board members and senior executives; and
- Processes for the evaluation of the performance of the Managing Director and Directors.

The executive Directors who are not on the Remuneration and Nominations Committee have a standing invitation to attend the Remuneration and Nominations Committee meetings.

**(i) Principles used to determine the Nature and Amount of Remuneration**

The remuneration policy of the Group has been designed to align director and executive objectives with shareholders and business objectives by providing a fixed remuneration component and in many cases offering incentives based on key performance areas affecting the Group's financial results.

The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives, and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

**A. Executive Directors and Senior Executives**

The remuneration policy, setting terms and conditions for the Executive Directors and other senior executives, was developed by

the Remuneration and Nominations Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and in certain instances fringe benefits, and performance incentives.

The Remuneration Committee reviews executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries. Executives are offered a competitive base salary that comprises the fixed component of remuneration and rewards. Reference to external remuneration reports provides analysis to ensure base salary is set to reflect the market for a comparable role.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise at its discretion in relation to approving incentives and bonuses and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

In some parts of the Group commissions are paid. The commission is based upon individual and team pre-determined targets set by the general manager of the company concerned and are payable quarterly. Using a predetermined target ensures variable reward is only available when value has been created for Shareholders and when it is consistent with the business plan. The incentive pool is leveraged for performance above the threshold to provide an incentive for executives to out-perform.

## **B. Non - Executive Directors**

The Board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment, and responsibilities. The Executive Directors' determine remuneration of the Non-executive Directors and review it annually, based on market practice, duties, and accountability. Independent external advice is sought where required. Fees for Non-executive Directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group.

The current base remuneration for Non-Executive Directors was last reviewed with effect from 1st January, 2008.

## **C. Retirement Allowances**

No retirement allowances exist for Directors. The executives and executive directors employed on a full time basis receive a superannuation guarantee contribution as required by the Federal Government, which is currently 9%, but do not receive any other retirement benefits. Some individuals have however chosen to sacrifice part of their salary to increase payments towards superannuation.

### **1.1.4 Corporate Governance Policies**

#### **(a) Code of Conduct and Ethics**

All directors, executives, and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews the Code of Conduct and Ethics regularly and processes are in place to promote and communicate these policies.

The Code of Conduct and Ethics established by the Board is:

- To establish and maintain appropriate legal and ethical standards in dealings with

business associates, advisers and regulators, competitors, employees and any other stakeholders of Inventis;

- For any Director to declare any conflict of interest when it arises and Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest and Directors' must withdraw themselves from any discussion pertaining to any matter in which a Director has a material personal interest. Details of director related entity transactions with the Company and the group are set out in the financial statements;
- To maintain appropriate core Company values and objectives;
- To fulfil responsibilities to shareholders by delivering shareholder value;
- To ensure the usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- To fulfil responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced;
- To maintain employment practices such as occupational health and safety, employment opportunity, the community activities, sponsorships and donations;
- To maintain employees privacy by the appropriate use of privileged or confidential information;
- To avoid conflicts of interest;
- To prevent directors and senior executives from taking advantage of property, information or position for personal gain;
- To maintain confidentiality of corporate information;
- To ensure that the Company, directors and all employees are fair in their dealings;

- To ensure compliance with laws; and
- To establish a basis for reporting of unethical behaviour.

**(b) Share Trading Policy**

Directors and senior executives may acquire or dispose of shares in the Company, but are prohibited from dealing in Company shares:

- Except between 3 and 21 days after either the release of the Company's half-year and annual results to the Australian Securities Exchange ('ASX'), the annual general meeting or any other major announcement; and
- Whilst in possession of price sensitive information not yet released to the market.

Directors and senior executives are required to:

- Raise the awareness of legal prohibitions including transactions with colleagues and external advisers;
- Provide details of intended trading in the Company's shares;
- Provide subsequent confirmation of the trade;
- Advise of any unusual circumstances where discretions may have been exercised in cases such as financial hardship; and
- Comply with insider trading provisions of the Corporations Act 2001.

These requirements also apply to all senior officers of Inventis.

**(c) Environmental Policy**

The Group is committed to achieving a high standard of environmental performance. Environmental performance is monitored by the Board and as part of this the Board:

- Sets and communicates the environmental objectives and targets of the Company;
- Monitors progress against these objectives and targets; and
- Implements environmental management plans in areas which may have a significant environmental impact.

Based on the results of enquiries made, the Board is not aware of any significant environmental issues for the period covered by this report.

**(d) Internal audit**

As the Group has grown over recent years and it aims to continue to do so during the current financial year, the Company has recently introduced an Internal Audit function. The Company Secretary will carry out an internal audit function in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the above-mentioned compliance and control systems.

**(e) Disclosure to Shareholders**

The board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

In summary, the Continuous Disclosure Policy operates as follows:

- The Managing Director, the Chief Financial Officer and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX;
- All matters that are of a nature as to reasonably expect that they would affect the price of the Company's shares are advised to the ASX on the day they are discovered, and all senior executives must follow a 'Continuous Disclosure Discovery' process, which involves monitoring all areas of the Group's internal and external environment;
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it. The

full Annual Financial Report is available to all shareholders should they request it;

- Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;
- All announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- The full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- The external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous three years, is made available on the Company's website within one day of public release.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration report, and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.