

# Corporate Governance Statement

This statement outlines the main corporate governance practices that were in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

## Board of directors and its committees

### Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. Details of the board's charter are located on the company's website ([www.ir.com](http://www.ir.com)).

### Board process

To assist in the execution of its responsibilities, the Board has established a number of board committees including a Nomination and Remuneration Committee, an Audit and Risk Committee and a Strategy Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the consolidated entity including board-endorsed policies, a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds twelve scheduled meetings each year and any extraordinary meetings at such other times as may be necessary to address any specific matters that may arise.

The agenda for its meetings is prepared in conjunction with the chairman, chief executive officer and company secretary. Standing items include strategic matters for discussion, the CEO's report, financial reports, key performance indicator reports and presentations by key executives and external industry experts. Board papers are circulated in advance. Directors have other opportunities, including visits to operations, for contact with a wider group of employees.

During the 2009 financial year the board undertook an evaluation of its performance. The evaluation resulted in the board reordering its standing agenda, expanding its annual calendar to include all prior-known activities, agreeing to schedule some presentations/meetings with industry experts and major partners/customers and scheduling regular reviews of all board-endorsed policies.

### Director education

The consolidated entity follows an induction process to educate new directors about the nature of the business, current issues, the corporate strategy and expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations. In addition executives make regular presentations to the board to ensure its familiarity with operational matters. Directors are expected to access external continuing education opportunities to update and enhance their skills and knowledge.

### Independent advice and access to company information

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 chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the director is made available to all other members of the board.

### Composition of the board

The names of the directors of the company in office at the date of this report are set out on page 20 of this report.

The company's constitution provides for the board to consist of between three and twelve members. At 30 June 2009 the board members were comprised as follows:

- ▶ **Mr Steve Killelea** – non executive director (Chairman)
- ▶ **Mr Alan Baxter** – independent non executive director
- ▶ **Mr John Brown** – independent non executive director
- ▶ **Ms Kate Costello** – independent non executive director
- ▶ **Mr Clyde McConaghy** – non executive director
- ▶ **Mr Mark Brayan** – executive director (Chief Executive Officer)

Mr David Boyles retired from his position as an independent non executive director in November 2008.

Mr Alan Baxter was appointed as an independent non executive director in June 2009.

The Board consists of three independent non executive directors, two non executive directors who are not independent (Mr McConaghy and Mr Killelea) and one executive director (Mr Brayan). Mr McConaghy is Managing Director of Smarter Capital Pty Limited, another company associated with Mr Steve Killelea, Chairman of Integrated Research. This does not comply with the ASX Corporate Governance Council recommendation that the majority of directors be independent. However, the board considers the directorship of Mr McConaghy, who has two decades of international strategic market development experience in the technology, media and online industries, to be beneficial to the company and is satisfied that he will exercise independent judgement as a non executive director.

The election of Mr Killelea, who holds a majority of the company's issued shares, as non-executive chairman, does not comply with the ASX Corporate Governance Council recommendation that the chairman be an independent director. However, the board is satisfied that the company benefits from Mr Killelea's experience and knowledge gained through his long involvement with Integrated Research and his associations throughout the information industry. Mr Killelea founded Integrated Research in 1988 and was the CEO and managing director of the company until his retirement in November 2004.

# Corporate Governance Statement

At each Annual General Meeting one-third of directors, any director who has held office for three years and any director appointed by directors in the preceding year must retire, then being eligible for re-election. The CEO is not required to retire by rotation.

The composition of the board is reviewed on a regular basis to ensure that the board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the Nomination and Remuneration Committee, in conjunction with the board, determines the selection criteria for the position based on the skills deemed necessary for the board to best carry out its responsibilities. The committee then selects a panel of candidates and the board appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

## **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is a committee of the board of directors and is empowered by the board to assist it in fulfilling its duties to shareholders and other stakeholders. In general, the committee has responsibility to: 1) ensure the company has appropriate remuneration policies designed to meet the needs of the company and to enhance corporate and individual performance and 2) review board performance, select and recommend new directors to the board and implement actions for the retirement and re-election of directors.

## **Responsibilities regarding remuneration**

The Committee reviews and makes recommendations to the board on:

- › The appointment, remuneration, performance objectives and evaluation of the chief executive officer
- › The remuneration packages for senior executives
- › The company's recruitment, retention and termination policies and procedures for senior executives
- › Executive remuneration and incentive policies
- › Policies on employee incentive plans, including equity incentive plans
- › Superannuation arrangements
- › The remuneration framework and policy for non-executive directors.

Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and industry surveys. Remuneration packages include a mix of fixed remuneration, performance-based remuneration and equity-based remuneration.

## **Responsibilities regarding nomination**

The Committee develops and makes recommendations to the board on:

- › The CEO and senior executive succession planning
- › The range of skills, experience and expertise needed on the board and the identification of the particular skills, experience and expertise that will best complement board effectiveness
- › A plan for identifying, reviewing, assessing and enhancing director competencies
- › Board succession plans to maintain a balance of skills, experience and expertise on the board

- › Evaluation of the board's performance
- › Appointment and removal of directors
- › Appropriate composition of committees.

The terms and conditions of the appointment of non-executive directors are set out in a letter of appointment, including expectations for attendance and preparation for all board meetings, expected time commitments, procedures when dealing with conflicts of interest, and the availability of independent professional advice.

The members of the Nomination and Remuneration Committee during the year were:

- › Ms Kate Costello (Chairperson) – Independent Non-Executive
- › Mr David Boyles – Independent Non-Executive (to November 2008)
- › Mr Alan Baxter – Independent Non-Executive (from June 2009)
- › Mr Steve Killelea – Non-Executive

The Nomination and Remuneration Committee meets at least twice a year and as required. The Committee met three times during the year under review.

#### **Audit and Risk Committee**

In November 2008, the Board endorsed changes to the Audit Charter to incorporate risk management and consequentially the Committee was reconstituted to become the Audit and Risk Committee.

The Audit and Risk Committee has a documented charter, approved by the board. All members must be non-executive directors with a majority being independent. The chairman may not be the chairman of the board. The committee advises on the establishment and maintenance of a framework of risk management, internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit and Risk Committee during the year were:

- › Mr John Brown (Chairman) – Independent Non-Executive
- › Mr David Boyles – Independent Non-Executive (to November 2008)
- › Mr Alan Baxter – Independent Non-Executive (from June 2009)
- › Mr Clyde McConaghy – Non-Executive

During the year, the Audit and Risk Committee provided the Board with updates to the Company's risk management policy, risk management register and risk management plan (with the Board approving each of these documents).

The external auditor, chief executive officer and chief financial officer are invited to Audit and Risk Committee meetings at the discretion of the committee. The committee met three times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 26.

The external auditor met with the audit committee/board three times during the year, two of which included time without the presence of executive management. The Chief Executive Officer and the Chief Financial Officer declared in writing to the board that the company's financial reports for the year ended 30 June 2009 comply with accounting standards and present a true and fair view, in all material respects, of the company's financial condition and operational results. This statement is required annually.

# Corporate Governance Statement

The Audit and Risk Committee's charter is available on the Company's website and includes information on procedures for selection and appointment of the external auditor, and for rotation of external audit engagement partners.

The main responsibilities of the Audit and Risk Committee include:

- › Serve as an independent party to monitor the financial reporting process and internal control systems
- › Review the performance and independence of the external auditors and make recommendations to the board regarding the appointment or termination of the auditors
- › Review the scope and cost of the annual audit, negotiating and recommending the fee for the annual audit to the board
- › Review the external auditor's management letter and responses by management
- › Provide an avenue of communication between the auditors, management and the board
- › Monitor compliance with all financial statutory requirements and regulations
- › Review financial reports and other financial information distributed to shareholders so that they provide an accurate reflection of the financial health of the company
- › Monitor corporate risk management and assessment processes, and the identification and management of strategic and operational risks
- › Enquire of the auditors of any difficulties encountered during the audit, including any restrictions on the scope of their work, access to information or changes to the planned scope of the audit.

The Audit and Risk Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

- › To discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed
- › Prior to announcement of results:
  - To review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings
  - To recommend the Board approval of these documents
- › To finalise half-year and annual reporting:
  - Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made
  - Review the draft financial report and recommend board approval of the financial report
- › As required, to organise, review and report on any special reviews or investigations deemed necessary by the board.

## Strategy Committee

The Strategy Committee has a documented charter, approved by the board, and is responsible for reviewing strategy and recommending strategies to the board to enhance the company's long-term performance. The committee is comprised of at least three members, including the chairman of the board and the Chief Executive Officer. The board appoints a member of the committee to be chairman.

The members of the Strategy Committee during the year were:

- › Mr Steve Killelea (Chairman) – Non-Executive
- › Mr Mark Brayan – Executive
- › Mr Clyde McConnaghy – Non-Executive
- › Ms Kate Costello – Independent Non-Executive

The Strategy Committee is responsible for:

- › Review and assist in defining current strategy
- › Assess new strategic opportunities, including M&A proposals and intellectual property developments or acquisitions
- › Stay close to the business challenges and monitor operational implementation of strategic plans
- › Endorse strategy and business cases for consideration by the full board.

The Committee met nine times during the year under review.

At the commencement of the 2009 financial year, the board approved the services of The Boston Consulting Group (“BCG”) who worked with the Strategy Committee in developing a detailed revision of the Company's strategy including review of the Company's vision statement, analysis of opportunities in the market including growth initiatives, review of the Company's core capabilities (including “gap” analysis) and identification of appropriate key performance indicators to measure delivery on the strategy.

## Risk management

Under the November 2008 revised Audit and Risk Charter, the Audit and Risk Committee reviews the status of business risks to the consolidated entity through integrated risk management programs ensuring risks are identified, assessed and appropriately managed and communicated to the board. Major business risks arise from such matters as actions by competitors, government policy changes and the impact of exchange rate movements.

Comprehensive policies and procedures are established such that:

- › Capital expenditure above a certain size requires board approval
- › Financial exposures are controlled, including the use of forward exchange contracts
- › Risks are identified and managed, including internal audit, privacy, insurances, business continuity and compliance
- › Business transactions are properly authorised and executed.

# Corporate Governance Statement

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the board that the company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

## Internal control framework

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 has instigated the following internal control framework:

- ▶ Financial reporting – Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared monthly
- ▶ Continuous disclosure – Identify matters that may have a material effect on the price of the Company's securities, notify them to the ASX and post them to the Company's website
- ▶ Quality and integrity of personnel – Formal appraisals are conducted at least annually for all employees
- ▶ Investment appraisals – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures and levels of authority.

## Internal Audit

The Company does not have an internal audit function but utilises its financial resources as needed to assist the board in ensuring compliance with internal controls.

## Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

## Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the board considers that a significant conflict exists the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. The board has developed procedures to assist directors to disclose potential conflicts of interest. Details of director-related entity transactions with the Company and consolidated entity are set out in Note 27.

## Code of conduct

The consolidated entity has advised each director, manager and employee that they must comply with the code of conduct. The code aligns behaviour of the board and management with the code of conduct by maintaining appropriate core values and objectives. It may be reviewed on the company's website and includes:

- ▶ Responsibility to the community and fellow employees to act with honesty and integrity, and without prejudice
- ▶ Compliance with laws and regulations in all areas where the company operates, including employment opportunity, occupational health and safety, trade practices, fair dealing, privacy, drugs and alcohol, and the environment
- ▶ Dealing honestly with customers, suppliers and consultants

- › Ensuring reports and other information are accurate and timely
- › Proper use of company resources, avoidance of conflicts of interest and use of confidential or proprietary information.

#### **Trading in company securities by directors and employees**

Directors and employees may acquire shares in the company, but are prohibited from dealing in company shares whilst in possession of price sensitive information, and except in the periods:

- › From 24 hours to 28 days after the release of the company's half-yearly results announcement or following the wide dissemination of information on the status of the corporation and current results
- › From 24 hours after the release of the company's annual results announcement to a maximum of 28 days after the annual general meeting.

Directors must obtain the approval of the Chairman of the board and notify the Company Secretary before they buy or sell shares in the company, subject to board veto. The company advises the ASX of any transactions conducted by directors in shares in the company.

The consolidated entity's trading policy may be reviewed on the company's website.

#### **Communication with 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 ([www.ir.com](http://www.ir.com)), and issuing media releases. Disclosures under this policy are in addition to the periodic and other disclosures required under the ASX Listing Rules and the Corporations Act. More details of the policy are available on the company's website.

The Chief Executive Officer and the Chief Financial Officer are responsible for interpreting the Company's policy and where necessary informing the board. The Company Secretary is responsible for all communication with the ASX.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report.

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.