

# CORPORATE GOVERNANCE

## Overview

PMP's corporate governance is based on the belief that the creation of value is intrinsically linked with good governance practices.

The core principles of good corporate governance that PMP has based the Corporate Governance Framework on are:

- ethical business conduct;
- responsible management and remuneration;
- sound financial reporting and risk management; and
- appropriate communication and disclosure

These principles span those of the ASX Corporate Governance Council and the self-assessment recommendations of CLERP 9.

## Ethical Business Conduct

### Code of Conduct\*

The Code of Conduct is PMP's cornerstone corporate governance policy. The Code of Conduct provides a consistent understanding of the desired behaviour towards each stakeholder and challenges employees to take actions that reflect well on the Company. It requires that the laws governing the countries, states and territories in which PMP operates are upheld. It ensures PMP's resources are used only for the benefit of the Company and sets out guidelines for personal conduct that ensure workplace safety and prevents discrimination of any kind. It requires that employees consider the impact their actions and the Company's actions have on the environment and community within which the business operates.

The Code of Conduct was enhanced during the year with the inclusion of whistleblower provisions that:

- encourage employees to report, in good faith, any violations of the standards, requirements and expectation described in the Code of Conduct; and
- requires appropriate action be taken in response to any such violations, and
- requires that where an employee reports, in good faith, an actual or suspected violation of this Code of Conduct, the position of the reporting officer will be protected and remain confidential unless disclosure is required by law.

### Delegation of Authority Policy\*

PMP's Delegation of Authority Policy aims to ensure transparency in decision making and protect individuals and the company from any suggestion of impropriety. It requires managers to confer up the management chain when making significant decisions and prevents conflicts of interest from interfering with termination or hiring decisions. The policy also prevents any contract or arrangement being authorised, or approved by delegation, by any employee with a conflict of interest.

### Director and Executive Share Purchasing Policy\*

Under its share purchasing policy, PMP Directors and executives are permitted to buy and sell shares in the company during a period of four weeks following the interim and final profit announcements and the annual general meeting provided they are not aware of any price sensitive information. At all other times these officers are not permitted to buy and sell shares in the company without first obtaining written or email consent from the Chairman or Company Secretary. That consent will normally be granted provided there is no price sensitive information known to the company that has not been disclosed to the market in accordance with ASX exemptions from mandatory disclosure.

## Responsible Management and Remuneration

### Board Charter\*

PMP's Board Charter sets out the role, responsibilities and powers of the Board of Directors. The company's Board is responsible for:

- overseeing the company, including reviewing, ratifying and monitoring systems of: risk management, internal control, codes of conduct and legal compliance, that are designed to ensure compliance with regulatory and prudential requirements;
- appointing and removing the Chief Executive Officer and ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;
- providing input into and final approval of management's development of corporate strategy and performance objectives;

- monitoring performance against Board approved objectives, targets and strategies and of management;
- succession planning for the CEO and senior executives;
- approving the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- setting delegated authority limits.

The Charter requires that PMP's Board must consist of a majority of independent Non-Executive Directors who have a broad range of commercial expertise and experience and/or appropriate professional qualifications. They must also demonstrate a proven ability and capacity to monitor company performance and participate in strategy development. The Board regularly assesses the independence of each Director with regard to interests disclosed by them. Under the Charter, Directors are encouraged to own shares in PMP, however, there is no mandatory minimum shareholding requirement.

### Access to Information and Advice

The Charter provides for Directors to have access to all relevant information and employees within PMP. It also gives them authority to seek independent professional or legal advice, from a firm of their choice at PMP's expense, on any matter before the Board or any other matter affecting their duties as a Director, conditional only on the Chairman's approval.

### Board Performance Evaluation

The Appointments and Compensation Committee is responsible for, amongst other things, evaluating the performance of the Board and individual Directors. Details of the evaluation process for the current year are available at 6.1 of the Directors' Report.

### Board Independence

When determining the independent status of a Director the board considers whether the Director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- is employed, or has previously been employed in an executive capacity by the company or another group member, 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 another Group member, or an employee materially associated with the service provided
- is a material supplier or customer of the company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has a material contractual relationship with the company or another Group member other than as a Director.

All Non-Executive Directors of PMP are considered independent with the exceptions Dató Ng Jui Sia. Dató Ng Jui Sia is directly associated with Fraser and Neave Limited, a substantial shareholder of the company.

## Sound Financial Reporting and Risk Management

### Risk Oversight and Management of Material Risks

PMP views risk management as a continuous process and a fundamental driver of effective corporate governance and value generation.

PMP's policy is to apply a common framework across all businesses to identify material risks and implement appropriate mitigation processes. To this end, PMP maintains a risk management framework that provide a consistent and systematic view of the risks faced by the company. The risk identification, analysis, treatment and monitoring procedures follow the Standards Australia's risk management standard.

The Board has responsibility for the design and implementation of an effective system of risk management and internal control. The Audit and Risk Management Committee provides assistance to the Board by reviewing, assessing and making recommendations in relation to the risk management framework, supporting systems and the internal control structure.

Responsibility for designing, implementing and reporting on the system of risk management and internal control has been delegated to management through the Chief Executive Officer.

Management, with the assistance of the Group Risk Manager, reports the company's key risks and the status of the key risk treatment plans to the Audit and Risk Management Committee at least four times each year.

The Audit and Risk Management Committee receives assurance that the system of risk management and internal control are operating effectively through reports presented to the Audit and Risk Management Committee, management representations and Internal Audit.

### Risk Management Framework Summary

PMP's Risk Management Framework provides for a consistent approach to identifying, assessing and rating risks across the group. Strategic risks are typically identified during the annual planning cycle. Business units are required to consider emerging risks and review existing risks and the status of risk mitigation plans on a monthly basis.

The key business risks are required to be owned by a member of the Executive Management Team. These risks are specifically reported on at each of the four scheduled Audit and Risk Management Committee meetings. Executive Management Team members may be required to attend these meetings to assist Audit and Risk Management Committee assess the risk and managements planned response to the risks.

The Audit and Risk Management Committee also receives reports on the status of the implementation of the Risk Management Strategy and supporting framework.

### Management Representation

Detailed and comprehensive questionnaires are completed by all business units and functional management every six months. These questionnaires include business unit managements' assessment of risk management, financial reporting and the internal control environment operating within each business unit.

The questionnaires are reviewed by the executive management and external audit as part of the half-yearly reporting to the market and to achieve compliance with section 295A of the Corporations Act and Recommendation 7.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Based on the questionnaires, the Board receives written assurance from the Chief Executive Officer and the Chief Financial Officer that, to the best of their knowledge and belief, the declaration provided to them is founded on a sound system of risk management and internal control. The assurance provided is not absolute as it is based on judgement, use of sample testing and the inherent limitations in internal control.

### Internal Audit

The internal audit assurance function conducts a series of risk-based reviews based on a plan agreed with management and the Audit and Risk Management Committee. The Audit and Risk Management Committee review and endorse the planned internal audit activities at each of the four scheduled committee meetings.

As the Group Risk Manager oversees the risk management framework and internal audit, the Audit and Risk Management Committee require independent assurance as to the adequacy of the company's framework, and the completeness and accuracy of risk reporting by management. The independent assessments are to be conducted annually and will commence in the 2009 financial year.

### Inherent Operational Risks

The company believes there are a number of operational risks which are inherent in the industry in which it operates. They include:

- continuity of supply of key raw material inputs (eg paper and ink);
- continuity of energy supply (electricity and gas); and
- customer concentration

These risks are provided to assist investors in understanding the nature of risks faced by PMP and the industry in which the company operates. They are not an exhaustive list and are addressed in the CEO's Report and elsewhere in the Annual Report.

### Audit and Risk Management Committee

The Audit and Risk Management Committee provides assistance to the Board in relation to its corporate governance and oversight responsibilities by reviewing, assessing and making recommendations in relation to:

- financial reporting;
- internal control structure;
- risk management framework and systems;
- health, safety and the environment; and
- internal and external audit functions

Under its Charter, the Audit and Risk Management Committee consists of between three and five Non-Executive Directors, a majority of whom are required to be independent. The Committee must include members who are financially literate; at least one member shall have relevant qualifications and experience (qualified accountant or other financial professional with experience of financial and

accounting matters); and some members shall have and an understanding of the industry in which PMP operates.

### Record of Attendance\*\*

Committee member**	Number of meetings (Attended out of 4)
P George (Chairman)	3 (out of a possible 4)
J R Donnelley	1 (out of a possible 1)*^
I L Fraser	4 (out of a possible 4)
Datô Ng Jui Sia	3 (out of a possible 3)*^

### Appointment and Compensation Committee\*\*

Refer to the Remuneration report for details on the role of the Appointment and Compensation Committee.

Committee member**	Number of meetings (Attended out of 4)
I L Fraser (Chairman)	2 (out of a possible 2)^^^
G J Reaney	1 (out of a possible 1)^^^
M A Griffin	3 (out of a possible 3)

# The record of attendance for all Board Meetings and Board Committees, are included in the Directors' Report - page 30 'Directors' Meetings'.

\*\* The qualifications of Committee members are included in their Director biographies on pages 20-21.

\*^ Mr. Donnelley retired in August 2007 and was replaced by Datô Ng Jui Sia in November 2007

^^ Mr Fraser replaced Mr Reaney on the Appointments and Compensation Committee in February 2008 and became the Chairman of that Committee. The Chairman, CEO and CFO also attend the Committee meetings as requested.

### Appropriate Communication and Disclosure

PMP requires its officers and employees to act at all times with integrity and in accordance with the law, including the disclosure requirements of the ASX Listing Rules, ASX Guidance Notes, the ASX Corporate Governance Council Recommendations and the Corporations Act. During the 2008 financial year, PMP had a Disclosure Committee comprising the CEO, CFO and Company Secretary, which met as and when required. From July 2008 the Committee consists of the CEO and the CFO, whose role has been expanded to include that of Company Secretary.

### Disclosure and Shareholder Communication Policy\*

PMP's Disclosure Policy requires any price sensitive information concerning PMP to be disclosed to the market and to be communicated to the ASX before any other person. The policy prevents selective disclosure by: ensuring only authorised spokespeople comment on behalf of PMP; providing a process for issuing any external statement or press release; and providing clear guidelines for handling small group or individual briefings. It also sets out protocols for handling trading halts, responding to market speculation and avoiding inadvertent disclosure. The policy ensures shareholders can make informed decisions about their investment in PMP by providing them with:

- the annual and half year reports;
- disclosures made to ASX;
- notices and explanatory memoranda of General Meetings;
- the AGM, where the external auditor will be available to answer questions about the audit;
- occasional letters from the Chairman; and
- our website [www.pmplimited.com.au](http://www.pmplimited.com.au)

\* Summaries of these documents are publicly available in the Corporate Governance section of the PMP Limited web site: [www.pmplimited.com.au](http://www.pmplimited.com.au)

**ASX Corporate Governance Council Principles**

The following table references PMP Limited's compliance with the ASX Corporate Governance Council's, Corporate Governance Principles and Recommendations.

PRINCIPLES	COMPLIANCE	REFERENCES
<b>1: Lay Solid Foundations for Management and Oversight</b>		
<i>Companies should establish and disclose the respective roles and responsibilities of Board and management.</i>		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.....✓		The Board Charter and Delegated Authority Policy are on the PMP website at: > Investors > Corporate Governance
1.2 Companies should disclose the process for evaluating the performance of senior executives.....✓	p33:	Senior Executive Performance Evaluation
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.....✓		
<b>2: Structure The Board to Add Value</b>		
<i>Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</i>		
2.1 A majority of the Board should be Independent Directors.....✓	p20-21:	Director biographies
2.2 The Chair should be an Independent Director.....✓	p26:	Director independence thresholds
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.....✓	p26:	Director access to independent professional advice
2.4 The Board should establish a nomination committee.....✓	p31:	Remuneration Report - Appointment and Compensation Committee
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.....✓		The Board Charter and the Appointment and Compensation Committee Charter are on the PMP website at: > Investors > Corporate Governance
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.....✓	p41:	Board Performance Assessment
<b>3: Promote Ethical and Responsible Decision Making</b>		
<i>Companies should actively promote ethical and responsible decision-making.</i>		
3.1 Establish a code of conduct and disclose the code or a summary of the code as to: · The practices necessary to maintain confidence in the company's integrity.....✓ · The practices necessary to take into account their legal obligations and the expectations of their stakeholders.....✓ · The responsibility and accountability of individuals for reporting and Investigating reports of unethical practices.....✓	p26:	The Code of Conduct and the Share Purchasing Policy are also on the PMP website at: > Investors > Corporate Governance
3.2 Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.....✓		
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.....✓		
<b>4: Safeguard Integrity and Financial Reporting</b>		
<i>Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.</i>		
4.1 The Board should establish an audit committee.....✓	p20-21:	Director Biographies - qualifications of Audit and Risk Management Committee
4.2 The audit committee should be structured so that it consists of: · only Non-Executive Directors.....✓ · a majority of Independent Directors.....✓ · an Independent Chair, who is not Chair of the Board.....✓ · at least three members.....✓	p27:	Audit and Risk Management Committee The Audit and Risk Management Committee Charter, which includes procedures relating to external auditors is on the PMP website at: > Investors > Corporate Governance
4.3 The audit committee should have a formal charter.....✓		
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.....✓		
<b>5: Make Timely and Balanced Disclosure</b>		
<i>Companies should promote timely and balanced disclosure of all material matters concerning the company.</i>		
5.1 Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose these policies or a summary of these policies.....✓	p27:	The Disclosure and Shareholder Communication Policy is also on the PMP website at: > Investors > Corporate Governance
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.....✓		

## PRINCIPLES

## COMPLIANCE REFERENCES

**6: Respect the Rights of Shareholders**

*Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.*

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|-----|--|------|---|
| 6.1 | Companies should design and disclose a communications strategy for promoting effective communication with shareholders and encouraging their effective participation at general meetings and disclose the policy or a summary of that policy ..... | p27: | The Disclosure and Shareholder Communication Policy is also on the PMP website at: > Investors > Corporate Governance |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6 .....  |      |   |

**7: Recognise and Manage Risk**

*Companies should establish a sound system of risk oversight and management and internal control.*

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| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. ....   | p26: | Risk Oversight and Management of Material Risks   |
| 7.2 | The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it the effectiveness of the company's management of its material business risks. ....   |      | The Risk Management Policy is on the PMP website at: > Investors > Corporate Governance |
| 7.3 | The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. .... |      |   |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on Principle 7 .....  |      |   |

**8: Remunerate Fairly and Responsibly**

*Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.*

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| 8.1 | The Board should establish a remuneration committee .....  | p31: | Remuneration Report   |
| 8.2 | Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives .....        |      | - Appointment and Compensation Committee.   |
| 8.3 | Ensure that payment of Executives' equity-based remuneration is made in accordance with thresholds set in plans approved by shareholders. .... | p41: | Remuneration Report - retirement benefits.  |
| 8.4 | Companies should provide the information indicated in the Guide to reporting on Principle 8 .....  |      | The Appointment and Compensation Charter is on the PMP website at: > Investors > Corporate Governance |

**Compliance Notes:**

<1> The CEO and CFO have assured the Board that:

- The consolidated entity's financial reports present a true and fair view, in all material respects, of the company's financial condition and operating results and are in accordance with relevant accounting standards and the *Corporations Act 2001* and is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The financial records of the listed entity for the year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*; and
- The company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects; and
- The group-wide risk management strategy, implementation plan and supporting processes have been developed, reviewed by the Audit and Risk Management Committee and are being implemented. Management's actions to embed and continuously improve the risk management processes are on-going; and
- Based on the outcomes of the risk review process as at year end and representations from line management, it appears that there are no significant risks that are likely to result in a material misstatement to the financial statements; and

- Management has continued to closely monitor the system of budgeting and forecasting across the group with the intention of mitigating any future exposure.

- The above declarations and statements are made to the best of our knowledge and belief based on enquiries during the year and on a review of the Financial Statement Due Diligence Compliance Packages, completed by line management.

- <2> The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations recommend the establishment of a Nomination Committee and a Remuneration Committee. PMP combines the roles and responsibilities of these committees in its Appointments and Compensation Committee. The ASX Corporate Governance Principles and Recommendations suggest that Remuneration Committee should be structured so that it has at least three members. PMP's Appointments and Compensation Committee currently has two members. Whilst the Committee operated with only two formally nominated members, the Chairman of the Board also attended all three meetings held during the year.