



## **GOVERNANCE POLICY STATEMENT**

NetComm has a sincere commitment to effective governance in order to:-

- (i) Enhance organizational performance;
- (ii) Understand and manage risks to minimize the negative aspects and maximize the opportunities;
- (iii) Strengthen shareholder confidence;
- (iv) Enhance its public reputation through enhanced transparency and accountability;
- (v) Demonstrate how it is discharging its legal, shareholder and ethical obligations;
- (vi) Provide a mechanism for benchmarking accountability;
- (vii) Assist in the prevention and detection of fraudulent, dishonest and/or unethical behaviour.

Documents forming part of NetComm's Governance Policy are:-

- (a) Board charter
- (b) Audit Committee charter
- (c) Nomination and Remuneration Committee charter
- (d) Risk management policy
- (e) Code of conduct

The Principles of Good Corporate Governance and Best Practice Recommendations as put forward by the ASX Corporate Governance Council have been integrated into NetComm's operations, as follows:-

### **1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

*"Recognise and publish the respective roles and responsibilities of board and management"* – NetComm has adopted a formal Board Charter that sets out the functions reserved to the Board and those delegated to the Managing Director. The division of functions is reviewed periodically, as required.

Specifically the Board is responsible for:-

- (a) The strategic direction of the company.
- (b) Approving budgets and other performance indicators and reviewing performance against them and initiating corrective action when required.
- (c) Ensuring compliance with applicable laws.

- (d) Ensuring that risks facing the Company have been identified, assessed and that the risks are being properly managed.
- (e) Ensuring that policies on key issues are in place and are appropriate and reviewing compliance with policies.
- (f) Adopting the most effective structure that best assists the governance process.
- (g) Approving and fostering an appropriate corporate culture matched to the company's values and strategies.
- (h) Appointing the managing director and evaluating his or her ongoing performance against predetermined criteria.
- (i) Approving remuneration for the managing director and remuneration policy and succession plans for the managing director and senior management.
- (j) Taking into account the interests of all shareholders.

The Chairman is responsible for leading the Board in those duties, while the Managing Director is responsible for the efficient and effective operation of NetComm Limited, including bringing material matters to the attention of the Board. The Board has no operational involvement in the day-to-day management of the company. The roles of Chairman and Managing Director are separated and, under Board policy, the Managing Director may not become Chairman whilst he holds the position of Managing Director.

## 2. STRUCTURE THE BOARD TO ADD VALUE

*“Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties”* – NetComm’s board is so structured and its directors have adequately discharged their responsibilities and duties to the benefit of shareholders.

**Skills and Experience** – A common thread among NetComm’s present board of directors is their long term involvement in the IT&T industry at a senior managerial level. They also bring strong financial skills as well as sales and marketing skills. The NetComm Board consists of five directors (three non-executive and two executive). The experience and qualifications of each Board member are further discussed on page 6 and 7 of the annual report to shareholders.

**Independence** – The majority of NetComm’s directors are independent of the management team, substantial shareholders and any commercial dealings with the company. The board chairman is independent of management.

Where a director becomes aware of a conflict of interest or a potential conflict of interest, that member formally declares the conflict and accepts the guidance of the board.

### **Board Committees –**

Nomination and Remuneration Committee (see charter):-

NetComm's Board has reviewed the duties of its Remuneration Committee and has added the function of "nominations" to its responsibilities. The newly formed Nomination and Remuneration Committee comprises two independent non-executive directors and one executive director. The Committee's responsibilities include setting Board competence standards, reviewing succession plans, evaluating the Board's performance and making recommendations for:-

- (a) Executive remuneration and incentive policies;
- (b) Remuneration packages of senior management;
- (c) NetComm's recruitment, retention and termination policies for senior management;
- (d) Incentive schemes;
- (e) Superannuation arrangements; and
- (f) The remuneration framework for directors.

The members of the Nomination and Remuneration Committee during the 2004 financial year were:-

- Mr T R Winters (Committee Chairman);
- Mr J M Burton; and
- Mr D P J Stewart.

Audit Committee (see charter):-

The Audit Committee primary functions and responsibilities are outlined under "Financial Reporting".

- (a) Review the integrity of NetComm's financial information and systems, internal and external reporting;
- (b) Review and assess the external auditors' activities, scope and independence;
- (c) Review the management process for the identification of significant business risks and exposures and review and assess the adequacy of management information and internal control structures; and
- (d) Provide assurance to the full Board that NetComm is adequately managing risks relating to corporate governance and business operations and is maintaining appropriate controls against conflicts of interest and fraud.

The Audit Committee consists of three independent, Non Executive Directors. The members of the Audit Committee during the 2004 financial year were:-

- Mr J A Brennan (Committee Chairman);
- Mr T R Winters; and
- Mr J M Burton.

**Independent Advice** – NetComm directors may seek external professional advice at the expense of the company on matters relating to their role as directors of NetComm, however they must first request approval from the

Chairman, which approval shall not be unreasonably withheld. If approval is withheld the matter may be referred to the whole Board.

### **3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

*“Actively promote ethical and responsible decision-making”* – NetComm has formally adopted a Code of Ethics and Conduct which promotes ethical and responsible decision making by directors, executives and employees. The Code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with NetComm. The Code also sets the task for management of delivering shareholder value with the oversight of the Board, through the sustainable and efficient operation of the company.

### **4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

*“Have a structure to independently verify and safeguard the integrity of the company’s financial reporting”* – NetComm believes its practices in this regard are in accordance with this principle.

NetComm has a highly structured six-monthly reporting process, culminating in Board sign-off and release of financial results to the market. The Managing Director and Financial Controller provide letters of assurance to the Board for each half-year and full-year results.

NetComm’s Audit Committee is constituted in accordance with the guidelines, and its responsibilities and composition requirements are set out in the Audit Committee Charter.

Amongst other things, the Audit Committee has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring and reviewing any non-audit work carried out by the external audit firm. No director has any association, past or present, with NetComm’s external auditors.

**External Audits** – NetComm is required to undergo several regulatory audits each year in order to provide assurances to the market regulator (ASIC) and NetComm’s customers regarding the operational integrity of NetComm systems and processes. The external Auditor has full and free access to NetComm staff and NetComm records. The external Auditor, Horwath, under the scrutiny of the Audit committee, presently conducts these regulatory audits in return for reasonable fees.

### **5. MAKE TIMELY AND BALANCE DISCLOSURE**

*“Promote timely and balanced disclosure of all material matters concerning the company”* NetComm fulfills its disclosure responsibilities ensuring compliance with ASX Listing Rule disclosure requirements. The Managing

Director and Company Secretary work together to ensure that company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions. The Managing Director has ultimate authority and responsibility for approving market disclosure.

NetComm considers its disclosed discussion of financial results falls within the scope outlined in the guidelines. This disclosure includes availability of materials on the NetComm website.

## **6. RESPECT THE RIGHTS OF SHAREHOLDERS**

*“Respect the rights of shareholders and facilitate the effective exercise of those rights”*. NetComm has documented a shareholder communication policy, as recommended in the guidelines, which represents a formalized summary of longstanding practices and aims.

The policy identified disclosure and transparency as important qualities for NetComm’s investors and prospective investors. NetComm therefore aims to ensure the quality and clarity of communication with shareholders, using available methods and technologies.

Shareholder meetings represent an opportunity for shareholders to meet with and question the Board and management of NetComm. NetComm’s external auditor attends all annual general meetings and is available to answer shareholder questions.

NetComm’s website is a key source of information for NetComm’s shareholders and prospective shareholders. NetComm places all company announcements on the site immediately following confirmation of their release to the market. NetComm also displays annual reports to shareholders, speeches and presentations given by the Chairman and Managing Director.

Further communication with shareholders occurs with periodic dividend payments and the distribution of annual reports (unless shareholders have chosen not to receive these). Email is also an important method of communication for investors. Key announcements can be received by email where shareholders provide their details to NetComm.

## **7. RECOGNISE AND MANAGE RISK**

*“Establish a sound system of risk and oversight management and internal control”*. NetComm takes this responsibility seriously and have put in place appropriate means of risk management.

The Audit Committee has responsibility for reviewing the risk management framework and policies within NetComm. The Board annually workshops a

risk matrix for the whole of NetComm. Risk is broadly considered anything that may impede the achievement of effective company operation and NetComm's strategic goals.

NetComm also considers the safety and security of its people, buildings and technology systems as part of organizational risk management.

NetComm has adopted a policy requiring the Managing Director and Financial Officer to state to the Board in writing to the best of their knowledge that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

## **8. ENCOURAGE ENHANCED PERFORMANCE**

*"Fairly review and actively encourage enhanced board and management effectiveness"*. NetComm's Board has put in place measures to implement this principle.

Each year the Board undertakes the following activities:

- (a) the chairman meets with each non-executive director separately to discuss individual performance and ideas for improvement; and
- (b) the Board as a whole discusses and analyses its own performance during the year including suggestions for change or improvement.

Prior to the commencement of each financial year, the Board agrees to key responsibility areas (KRAs) and performance targets against each KRA. Following the end of a financial year, an analysis is presented to the Board for their discussion, setting out how the Board has performed against the KRAs.

## **9. REMUNERATE FAIRLY AND RESPONSIBLY**

*"Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined"*. NetComm's Board has put in place satisfactory measures to implement this principle.

NetComm discussion on board policy for determining the nature and amount of emoluments of board members and senior executives of the company and the relationship between such policy and the company's performance is provided in the Directors' Report section of the annual report on page 14.

## **10. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS**

*“Recognise legal and other obligations to legitimate stakeholders”*. NetComm has a diverse range of stakeholders and has a number of measures in place that recognise their interests.

The NetComm Code of Ethics and Conduct guides compliance with legal requirements and ethical responsibilities. The Code also sets a standard for employees dealing with NetComm’s obligations to other external stakeholders. The Code applies equally to staff, executives and directors.

NetComm’s Code formally addresses the privacy of information given to NetComm, conflict escalation, occupational health and safety and Trade Practices Act compliance training for relevant staff.

NetComm supports a number of community and charity organizations.

NetComm acknowledges that, beyond its accountability as a public corporation to its shareholders, it also carries the expectation of a wider set of stakeholders. NetComm endeavours to fulfill these marketplace expectations through, for example, the provision of product training to relevant sections of its customer base, ongoing customer support and online market information.