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## **CORPORATE GOVERNANCE:**

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### **CODE OF CONDUCT FOR DIRECTORS**

Director's duties are predominantly derived from the *Corporations Act 2001*, accordingly:

1. A director must act honestly, in good faith and in the best interest of SECOS Group Limited ('the Company') as a whole.
2. A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. A director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
4. A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.
5. A director must not make improper use of information acquired as a director.
6. A director must not take improper advantage of the position of director.
7. A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
8. A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board.
9. Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law (even after the directors ceases to be a director or officer of the company).
10. A director should not engage in conduct likely to bring discredit upon the Company.
11. A director has an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.

### **GUIDELINES FOR THE INTERPRETATION OF PRINCIPLES**

The following guidelines are intended to assist directors in complying with the core principles of the Code. They are not meant to be exhaustive and may be added to over time to address issues of importance as they arise.

### **DUTIES TO THE COMPANY**

1. Each director should endeavour to ensure that the functions of the Board have been specified clearly, are properly understood and are competently discharged in the interests of the Company.

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2. A director should endeavour to ensure that the management of the Company is competent and is devoting its best endeavours in the interests of the Company.
3. In evaluating the interests of the Company, a director should take into account the interests of the shareholders as a whole, but where appropriate and/or required by law should take into account the interests of creditors and others.

### DUTIES TO SHAREHOLDERS

4. Each director should endeavour to ensure that the Company is financially viable, properly managed and constantly improved so as to protect and enhance the interests of the shareholders.
5. A director should seek to ensure that all shareholders or classes of shareholders are treated fairly according to their rights as between each other.
6. A director should consider whether any benefit to be received by the director or associated persons is of sufficient magnitude that the approval of shareholders should be sought, even though not required by law.
7. A director who is appointed to a board at the instigation of a party with a substantial interest in the Company such as a major shareholder or a creditor, should recognise the particular sensitivity of the position. Fiduciary duty requires the director to make a contribution in the interests of the Company and the shareholders as a whole and not only in the interest of the nominators.

Where obligations to other people or bodies preclude an independent position on an issue the director should disclose the position and seriously consider whether to be absent or refrain from participating in the Board's consideration of the issue (see also Guideline 19). Before taking the decision to be absent, a director should consider whether that absence would deprive the Board of essential background or experience. The matter should be disclosed and resolved by the rest of the Board.

### DUTIES TO CREDITORS

8. Whilst the obligations of a director are primarily owed to the Company, there are situations in which it is necessary to evaluate the interests of creditors. This is particularly so where the Company's financial position is uncertain or where insolvency may be pending. In cases of doubt, a director should, with some urgency, seek professional advice.

### DUTIES TO OTHER STAKEHOLDERS

9. All companies and their directors must comply with the legal framework governing their operations and must be conscious of the impact of their business on society. Without limiting in any way the nature of the issues with which the director must be concerned in the running of the business, particular attention should be paid to the environment, questions of occupational health and safety, industrial relations, equal opportunities for employees, the impact of competition and consumer protection rules, and other legislative initiatives that may arise from time to time. Although the director owes a primary duty to shareholders of the Company as a whole, the responsibilities imposed on companies and the director under various acts of parliament clearly demand that the director evaluate actions in a broader social context.

### DUE DILIGENCE

10. A director should attend all Board meetings but where attendance at meetings is not possible appropriate steps should be taken to obtain leave of absence.
11. A director must acquire knowledge about the business of the Company, the statutory and regulatory requirements affecting directors in the discharge of their duties to the Company, and be aware of the physical, political and social environment in which it operates.
12. In order to be fully effective, a director should insist upon access to all relevant information to be considered by the Board. This information should be made available in sufficient time to allow proper consideration of all relevant issues. In the extreme circumstances where information is not provided the director should make an appropriate protest about the failure on the part of the Company to provide the information and if necessary abstain from voting on the particular matter on the basis that there has not been the time necessary to consider the matter properly. Any abstention and the reasons for it, should be included in the minutes. It may also be appropriate to vote against the motion or move for deferment until proper information is available.

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13. A director should endeavour to ensure that systems are established with the Company to provide the Board, on a regular and timely basis, with necessary data to enable them to make a reasoned judgment and so discharge their duties of care and diligence. An internal audit of systems supporting the Board should be conducted regularly.
14. A director should endeavour to ensure that relations between the Board, the audit committee and the auditors are open, unimpeded and constructive. Similarly, the auditors should have direct and unimpeded access to the director. A director should be satisfied that the scope of the audit is adequate and that it is carried out thoroughly and with the full cooperation of management and the internal auditors.
15. A director shall endeavour to ensure the Company complies with the law and strives for the highest standards of business and ethical conduct.
16. A director shall endeavour to ensure that the Company complies with the listing and business rules of the Australian Stock Exchange and in particular those rules relating to any benefits that may be received by a director or an associated person from the Company by way of an issue of shares or any other transaction of a similar nature.
17. A director from time to time may need expert advice (whether it be legal, financial or some other professional advice and whether it relates to fiduciary or other duties) in order to discharge duties properly. The director should ensure, to the extent possible, that any advice obtained is independent of the Company. In that regard wherever necessary the services of advisers external to those advising the Company may need to be sought. In any case of doubt separate independent advice should always be sought by the directors on matters that may impact on their position vis-a-vis the Company.

### CONFLICTS OF INTEREST

18. A director must not take improper advantage of the position as director to gain, directly or indirectly, a personal advantage or an advantage for any associated person or, which might cause detriment to the Company.
19. The personal interests of a director, and those of family, must not be allowed to prevail over those of the Company's shareholders generally. A director should seek to avoid conflicts of interest wherever possible. Full disclosure of the conflict, or potential conflict, must be made to the Board. In considering the issues, account should be taken of the significance of the potential conflict for the Company and the possible consequences if it is not handled properly. Where a conflict does arise, a director must consider whether to refrain from participating in the debate and/or voting on the matter, whether to be absent from discussion of the matter, whether to arrange that the relevant board papers are not sent, or, in an extreme case, whether to resign from the Board. Where a director chooses to be absent from the meeting, consideration should be given as to whether expertise that would be contributed by the director is otherwise available. In the case of a continuing material conflict of interest a director should give careful consideration to resigning from the Board and consider the provisions of Guideline 25.
20. An executive director must always be alert to the potential for conflict of interest between management interests and the fiduciary duties as a director.
21. Dealing in listed securities of the Company may give rise to dangers of breaching the duties of a director and should be undertaken with care. A director should not engage in the short term trading of the Company's listed securities. The Company's listed securities may be traded by directors only in accordance with provisions of the Company's Security Trading Policy.

### USE OF INFORMATION

22. A director must not make improper use of information acquired by virtue of the position as a director. This prohibition applies irrespective of whether the director would gain directly or indirectly a personal advantage or an advantage for any associated person or might cause detriment to the Company.
23. Matters such as trade secrets, processes, methods, advertising or promotional programs, sales and statistics affecting financial results are particularly sensitive and must not be disclosed.
24. A director who takes the serious step of resignation on a point of principle should consider whether the reasons for resignation should be disclosed to shareholders (perhaps through the stock exchange) or the appropriate regulator. In deciding whether or not to make public the reasons for resigning and composing any resignation statement, a director should have regard to the following:

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- \* The duty not to disclose confidential information so as to damage the Company
  - \* The duty to act bona fide in the interests of the Company.
25. A director who has been nominated to the Board by outside parties should recognise the particular sensitivity of the position and should be especially careful not to disclose confidential matters to the nominators unless the prior agreement of the Board has been obtained.
26. A director must not buy or sell listed securities in the Company while in possession of information which, if disclosed publicly, would be likely materially to affect the price of the Company's listed securities.
27. A director should ensure that any information which is not publicly available and which would have a material effect on the price or value of the Company's securities is not provided to anyone who may be influenced to subscribe, buy or sell shares. Such information includes, but is not limited to: profit forecasts; proposed share issues; borrowings; impending takeovers; impending litigation; significant changes in operations; new products; liquidity problems.
28. Because the Company is listed on the stock exchange, a director has a particular duty in this regard and should ensure that adequate and timely disclosure is made to the stock exchange.

### PROFESSIONAL INTEGRITY

29. An executive director should recognise that the position occupied is particularly sensitive. A director must be prepared, if necessary, to express disagreement with colleagues including the Managing Director. However, in the absence of a need to express disagreement, a director should be prepared to implement the decisions of the Board and the instructions of the Managing Director as a loyal member of the board.
30. If there is any doubt about whether a proposed course of action is inconsistent with a director's fiduciary duties then the course of action should not be supported. Independent advice should be sought as soon as possible to clarify the issue.
31. When a director feels so strongly as to be unable to acquiesce in a decision of the Board, some or all, of the following steps should be considered:
- \* Making the extent of the dissent and its possible consequences clear to the board as a means of seeking to influence the decisions.
  - \* Asking for additional legal, accounting or other professional advice.
  - \* Asking that the decision be postponed to the next meeting to allow time for further consideration and informal discussion.
  - \* Tabling a statement of dissent and asking that it be minuted.
  - \* Writing to the Chairman, or all members of the board, and asking that the letter be filed in the minutes.
  - \* If necessary, resign, and consider advising the appropriate regulator.
33. 'Opinion shopping' and the search for loopholes in the law is unacceptable.