

GETTING THE BEST FROM BOARD COMMITTEES – CHECKLIST

(Bradley Gannon – Capricorn Society Ltd)

To maximise the value in establishing and operating a Board Committee structure, the Board of Directors of an organisation should be able to answer 'yes' to the following questions:-

Rationale for having Board Committees

- Is the use of Board Committees maximising Board time, alleviating Board workload and increasing the scrutiny of individual Board agenda items?
- Does the Board Committee structure in operation summarise complex issues, sort through excessive detail and present a definitive framework, analysis and recommendation in writing from a Directors' viewpoint?
- Is the Board Committee structure producing informed feedback and analysis which is a product of a deeper understanding of the subject area to which the Committee's Terms of Reference relate?
- Is the Board Committee structure being used to consider, develop and groom potential succession candidates for other Board and Committee roles?
- Is the Board Committee structure being used to help highlight individual Director performance and capability?
- Does the Board Committee(s) consider overall Board Policy and organisational strategy as part of its decision making process?
- Does the Committee's delegations support the role of the Board and the CEO?

When to use a Committee Structure

- Are the relevant issues for consideration by the Board too complex and/or numerous to be properly considered by the entire Board?
- Has the need for a Board Committee structure been appropriately considered?

Terms of Reference

- Have appropriate Terms of Reference been established for all Board Committees addressing all relevant matters including but not limited to roles and responsibilities, power and authority delegated, composition and quorum (see attached draft)?



- If Board Committee Terms of Reference have been established, do they clearly record that significant issues will be reported back to the Board for the Board to discuss and decide upon?

Matching Talent to Task and Committee Composition

- Is the Board Committee comprised of members with appropriate talent for its task and who have diverse skills, knowledge and experience?
- Is the service of Board members limited to a maximum of 2 Board Committees?
- Is the Board Committee comprised of a majority of non-executive Directors?
- Does the Board Committee have an odd number of members?

Committee Dynamics

- Are there appropriate Committee dynamics for it to be able to perform its function?

Appropriate Practices and Procedures

- Does the Board Committee's agenda provide ample opportunity for discussion time and consideration of matters before the Board Committee?
- Do Board Committee papers supply all necessary information in the format required by the Board Committee?
- Are the papers for Board Committee meetings circulated well in advance of the Board Committee meeting by secure and convenient means?
- Are the Board Committee meetings part of a schedule of meetings agreed at or prior to the beginning of a calendar year?
- Does the Board and Board Committee have an agreed Annual Task and Responsibilities Matrix for the Board Committee (see attached draft) setting out the recurring tasks and responsibilities and specific annual objectives of the Board Committee for a calendar year including when the same are to be performed?

Committee Culture

- Does the Board Committee culture require members to come to meetings well prepared and to actively participate at meetings?
- Is the culture of the Board Committee that its members recognise that they owe their duty to the organisation of which the Board Committee is part and not to the organisation or person which appointed them?



Committee Tenure

- Is there an appropriate balance of rotation of Directors on Board Committee positions and formulation of new ideas versus retaining corporate knowledge and the benefits from specialisation?

Committee Chair

- Is the Board Committee chaired by a Board member who is a Non-Executive Director and not chairman of the Board?

Performance Assessment and Regular Structural Review

- Are the Board Committees considered as part of an ongoing Board performance assessment every year?
- Does a review process consider whether the Board Committee is serving its function and adding value to the Board's decision making?
- Does a review process result in Committees being abandoned, Committee members being changed and Terms of Reference being amended where appropriate?

Frequency of Meetings

- Are the Board Committee meetings at least every three months?

Reporting to the Board

- Does the Board Committee clearly communicate to the Board its assumptions, material issues, analysis and recommendations in a format agreed with the Board in sufficient time for the Board to properly consider the same?
- Are minutes of the Board Committee meetings taken and provided with the Board papers for the next Board meeting after the Committee meeting?
- Does the Board Committee establish, maintain and update after each Committee Meeting a schedule of Task and Action items recording its outstanding Task and Actions from its previous meeting(s) (see attached fictitious sample)?

Involvement of the CEO

- Is the CEO invited to participate in each Committee meeting?

This information is of a general nature and is not intended to constitute professional advice of any kind. The author and Capricorn Society Ltd, its directors, employees and agents, disclaim all liability (whether in negligence or otherwise) for any error in accuracy or omission from this information.



AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

OBJECTIVES

1. The primary objective of Capricorn's Audit and Risk Committee (the "ARC") is to give the Board of Directors (the "Board") additional assurance regarding the quality, integrity and reliability of financial information and systems, adequacy of accounting and control systems, application of accounting policies and to allow the Board to fulfil its responsibilities.
2. The ARC also acts as a communication means between the Board and the auditors to ensure significant issues and information arising from the external auditor's activities is brought to the attention of the Board.
3. The ARC assists the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to the company's group risk management systems; internal control systems and compliance with applicable laws, regulations, standards and best practice guidelines.

DUTIES AND RESPONSIBILITIES

4. The ARC reports to the Board on an exception basis except where it explicitly states that the decision rights lie with the whole Board and they are marked (BOARD REFERRAL).
5. The role of the ARC is to:
 - 5.1. Review and agree on the external audit plan.
 - 5.2. Assess the appropriateness of the company's accounting policies and principles and disclosures, and any changes to them.
 - 5.3. Review significant or unusual transactions and accounting estimates.
 - 5.4. Review reports from external auditors and ensure that where major deficiencies or breakdowns in controls or procedures have been identified, that appropriate and prompt remedial action is taken by management. (BOARD REFERRAL)
 - 5.5. Review proposed dividends and trading rebates and make recommendations to the Board regarding the same. (BOARD REFERRAL)
 - 5.6. Recommend to the Board the appointment of the Auditor and approval of their annual fees, based on an appraisal of their work and a review of their independence. (BOARD REFERRAL)
 - 5.7. Review, assess and assume the responsibility for the risk management process on the completion of a risk identification process. Review and endorse changes to policies regarding operational risk and compliance as well as the framework for the management of operational risk and compliance, including but not limited to:
 - 5.7.1. Risk event reporting
 - 5.7.2. Status reporting on active operational risk issues
 - 5.7.3. Development of operational risk management tools & infrastructure.
 - 5.8. Ensure the adequacy of internal controls.
 - 5.9. Review reports on any major frauds, thefts, defalcations from the company. (BOARD REFERRAL)
 - 5.10. Review, assess and keep the Board reasonably informed as to the adequacy of the Internal Audit Process. Assume the responsibility for providing the Board with detailed oversight of the Internal Audit Process in the circumstances of Management being responsible for resourcing and budgeting of the Internal Audit Process in the first instance subject to the overall Capricorn yearly or periodical budget being

approved by the Board. Review and endorse changes to policies regarding internal audit and any internal audit plans (both strategic and annual).

- 5.11. Ensure compliance with legislative and regulatory requirements as well as internal policies and procedures. Assess and monitor processes for compliance with laws, standards, and best practice guidelines.
- 5.12. Review Capricorn's corporate insurance program.
- 5.13. Review reports to regulators, including tax and accounting regulatory returns.
- 5.14. Review and recommendation for approval of the Offer Information Statement / Prospectus of the Company. (BOARD REFERRAL)
- 5.15. Review related party transactions and conflicts of interest for recommended action to the Board. (BOARD REFERRAL)
- 5.16. Initiate and direct any special projects or investigations which the ARC, in consultation with or at the request of the Board, are deemed necessary; and
- 5.17. Report fully to the Board following each meeting.
- 5.18. Perform those tasks directed at meeting the identified ARC objectives as set out in its Annual Tasks and Responsibilities Matrix (ATRM).

COMPOSITION

6. Annually the Board will reconsider the composition of the ARC.
7. The ARC will elect a Committee Chair, noting that the ARC Chairperson should not also be the Chairperson of the Board.
8. The ARC should comprise at a minimum three Directors and if thought appropriate by the Board, an independent advisor to the Board. The Chair shall be elected from this group.
9. Only ARC members who are directors of Capricorn are eligible to cast a vote on ARC related matters.
10. Typically the ARC Chair will also be a member of the Offer Information Statement / Prospectus Due Diligence Committee.

TERM OF MEMBERSHIP

11. Subject to Section 8, the Board will appoint members of the ARC for one year.

INVITEES

12. The CEO, General Manager Finance and a representative of the external Auditor (on their request) should be invited to attend ARC meetings. Copies of the ARC Papers and minutes are to be made available to the external auditor on their request.
13. The Risk & Compliance Manager and Internal Auditor is invited to attend ARC meetings in terms of the ATRM as required and on an ad hoc basis at the request of the ARC. The Risk & Compliance Manager and Internal Auditor has a direct reporting relationship with the Chair of the ARC and all reports and submissions are made independently from other members of management.
14. The ARC may require any other director, member of staff or person external to the Company (e.g. Consultants or their representatives) to attend part or whole of a committee meeting from time to time if their attendance is deemed necessary.

MEETINGS

15. The Committee will hold at least four regular meetings per year and any additional meetings that the Chairperson decides are necessary. The Chairperson shall call a meeting of the Committee if requested to do so by any ARC member or the CSL Chair or the CEO.



16. The Chairperson has the authority to convene a meeting from time to time without a management representative present.
17. The Management will provide the services of a Secretary to the Committee who will be responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members and other members of the Board.
18. The Secretary to the Committee is also responsible, in conjunction with the Chairperson, for drawing up the agenda and circulating it, supported by explanatory documentation to ARC members, and other members of the Board prior to each meeting.
19. A quorum will be two ARC members, provided both are directors. It should be noted that in calculating a quorum, in the instance where an appointed ARC member is unable to attend an ARC meeting, the Board can replace that Committee member with another director from the Board (a "substitute director") and the substitute director will be included in the calculation of the quorum.
20. Decisions will be determined by a majority vote, but the Chairperson will report the fact of any dissenting vote to the Board when reporting the decision to the Board.

ACCESS

21. The ARC will have unfettered access to both the external auditor and to management of Capricorn, the ability to consult independent experts and access to any other resources reasonably required for performance of its duties , after consultation with the Board and the CEO, where the ARC considers it necessary to carry out its duties.
22. The A & R Committee will exercise its right of access to management under this clause after notifying the CEO. Access will not be unreasonably refused.



	Responsible Party	Frequency & Comment	January	February	March	April	May	June	July	August	September	October	November	December
			2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
6 SPECIFIC ANNUAL CALENDAR TOPICS (UPDATED EVERY YEAR)														
6.1	To be Completed	COMMITTEE / MANAGEMENT												
6.2	To be Completed	COMMITTEE / MANAGEMENT												
6.3	To be Completed	COMMITTEE / MANAGEMENT												
6.4	To be Completed	COMMITTEE / MANAGEMENT												
6.5	To be Completed	COMMITTEE / MANAGEMENT		x		x		x		x				x
7 FINANCE & ACCOUNTING														
7.1	New Legislation Update	MANAGEMENT (GMF)		tbc		tbc		tbc		tbc				tbc
7.2 YEAR END ANNUAL FINANCIAL REPORT														
7.2.1	Review Accounting Policies and Disclosures and any changes	COMMITTEE / MANAGEMENT (GMF)						x		x				
7.2.2	Review Significant Transactions & Accounting Estimates including:-	COMMITTEE / MANAGEMENT (GMF)								x				
(a)	Land and Building Valuations									x				
(b)	Asset Impairment Reviews									x				
(c)	Intercompany Loans/Accounts Impairment Reviews									x				
(d)	Loan Subordination agreements									x				
(e)	Subsidiary companies 'going concern' and Board support declarations									x				
7.2.3	Receive ARC Chair presentation on Annual Financial Report review	COMMITTEE CHAIR								x				
7.2.4	Review external audit management report and ensure prompt remedial action taken (if necessary)	COMMITTEE								x				
7.2.5	Review & Endorse for Board Approval the Annual Report including:-	COMMITTEE								x				
(a)	Final 30 June Financial Statements, notes and disclosures									x				
(b)	Directors Report									x				
(c)	External auditors report and Management Letter									x				
(d)	Management Representation Letter									x				
(e)	Compliance Certifications									x				
7.3	YEAR END EXTERNAL AUDIT (EA)									x				
7.3.1	Consider External Auditor Appointment	COMMITTEE		x										
7.3.2	Management Meeting with EA to Determine YE program	MANAGEMENT (GMF)						x						
7.3.3	EA Engagement Letter, Entrance Interview & Timetable	MANAGEMENT (GMF)						x						
7.3.4	Completion of Board Audit Committee Questionnaire	COMMITTEE								x				
7.3.5	Review of External Audit Management report	COMMITTEE								x				
7.3.6	EA Financial Report Clearance & Sign-off	COMMITTEE								x				
7.3.7	EA Presentation\Exit Interview with ARC	COMMITTEE								x				
7.3.8	Management Evaluation of EA Performance	MANAGEMENT (GMF)								x				
7.3.9	Other matters requiring review by the ARC			x		x		x		x				x



	Responsible Party	Frequency & Comment	January	February	March	April	May	June	July	August	September	October	November	December
			2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
7.4	HALF YEAR FINANCIAL REPORT													
7.4.1	Review Accounting Policies and Disclosures and any changes	COMMITTEE / MANAGEMENT (GMF)		x										
7.4.2	Review Significant Transactions and Accounting Estimates	COMMITTEE / MANAGEMENT (GMF)		x										
7.4.3	Receive ARC Chair presentation on Half year Accounts review	COMMITTEE CHAIR		x										
7.4.4	Receive External Auditors presentation	COMMITTEE		x										
7.4.5	Review & Endorse for Board Approval the Half Year Report including:-	COMMITTEE		x										
(a)	31 December Financial Statements, notes and disclosures			x										
(b)	Directors Report			x										
(c)	External auditors report and Management Letter			x										
7.5	HALF YEAR EA REVIEW													
7.5.1	Half Year EA Review, Opinion & Management Letter	COMMITTEE		x										
7.5.2	Receive External Auditors presentation	COMMITTEE		x										
7.6	Other matters requiring review by the ARC			x		x		x		x				x
8	CORRESPONDENCE	COMMITTEE / MANAGEMENT		x		x		x		x				x
9	GENERAL BUSINESS	COMMITTEE / MANAGEMENT		x		x		x		x				x
10	COMMITTEE OWN TIME	COMMITTEE		x		x		x		x				x



AUDIT RISK COMMITTEE: Schedule of Tasks Action Items

Minute Reference	Date of Board Meeting	Task Description	Responsible Officer	Due Date	Status
2.3.1	11-Aug-09	Risk Management Reporting & Review Management to present an updated Risk Management Dashboard.	JF	October 2009	In Progress
4.3.1	2-Dec-09	Review Annual Internal Audit Timetable Review of the policies of the Committee and delegations to Management with respect to Internal Audit and who had the authority to change the Internal Audit timetable once approved.	BG/GH	12-Feb-10	In Progress
7.5	02-Dec-09	General Business There is to be consideration of the budgetary implications for any future objectives for FY 10/11.	Committee	13-Apr-10	In Progress

