

# Statement of Corporate Governance

The board of directors guides and monitors the business and affairs of Programmed Maintenance Services Limited on behalf of its shareholders, by whom the directors are elected and to whom they are accountable. The board's primary role is the protection and enhancement of long-term shareholder value.

The board is responsible for the overall corporate governance of the consolidated entity, having regard to the ASX Corporate Governance Council (CGC) recommendations. The table below summarises the Company's compliance with the CGC's recommendations, and notes the references to the appropriate section in the following discussion that sets out the corporate governance practices that were in operation during the 2010 financial year.

Recommendations	Comply Yes/No	Reference to Discussion
<b>Principle 1 – Lay solid foundations for management and oversight</b>		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Section 1
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Section 1
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	Section 1
<b>Principle 2 – Structure the board to add value</b>		
2.1 A majority of the board should be independent directors.	Yes	Section 2
2.2 The chairman should be an independent director.	Yes	Section 2
2.3 The roles of the chairman and chief executive officer (CEO) should not be exercised by the same individual.	Yes	Section 2
2.4 The board should establish a nomination committee.	Yes	Section 2
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Section 2
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Section 2
<b>Principle 3 – Promote ethical and responsible decision-making</b>		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company's integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes	Section 3
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.	Yes	Section 3
3.3 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Section 3
<b>Principle 4 – Safeguard integrity in financial reporting</b>		
4.1 The board should establish an audit committee	Yes	Section 4
4.2 The audit committee should be structured so that it consists of: <ul style="list-style-type: none"> <li>• only non-executive directors</li> <li>• a majority of independent directors</li> <li>• an independent chairman, who is not the chairman of the board</li> <li>• at least three members.</li> </ul>	Yes	Section 4
4.3 The audit committee should have a formal charter.	Yes	Section 4
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	Section 4

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Recommendations	Comply Yes/No	Reference to Discussion
<b>Principle 5 – Make timely and balanced disclosures</b>		
5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance, and disclose those policies or a summary of those policies.	Yes	Section 5
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Section 5
<b>Principle 6 – Respect the rights of shareholders</b>		
6.1 Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings, and disclose those policies or a summary of those policies.	Yes	Section 6
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	Section 6
<b>Principle 7 – Recognise and manage risk</b>		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Section 7
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 as to the effectiveness of the company's management of its material business risks.	Yes	Section 7
7.3 The board should disclose whether it has received assurance from the CEO and chief financial officer (CFO) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	Yes	Section 7
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Section 7
<b>Principle 8 – Remunerate fairly and responsibly</b>		
8.1 The board should establish a remuneration committee.	Yes	Section 8
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Section 8
8.3 Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	Section 8

## 1. Respective roles of the board and management

The board is responsible for the overall corporate governance of the consolidated entity, including engaging with management in the development of strategic plans, preparation of annual budgets, establishment of goals for management and monitoring the achievement of those goals on a regular basis.

The board is also responsible for:

- reviewing the performance of the Managing Director and senior management
- planning the development, retention and succession of the management team
- reviewing and ratifying systems of risk management and internal compliance, including approving and monitoring the policies and procedures relating to occupational health and safety
- approving and monitoring financial and other reporting, including the progress of major capital expenditure and capital management
- approving and monitoring acquisitions and divestitures
- ensuring an informed market exists at all times in respect of the company.

The process used in the 2010 financial year for reviewing the performance of senior executives is disclosed in Section 2 of the Remuneration Report on page 19.

The responsibilities of the board and the respective roles of the board and management as set out in the formal "Board Charter". The board has established the Committees described below to assist in its responsibility, and each of these Committees has a formal Charter that is incorporated into the Board Charter. A summary of the Board Charter is posted on the company's website.

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## 2. Structure and composition of the board

The board currently consists of five directors, one executive director (the managing director) and four non-executive directors. The four non-executive directors are assessed as being independent directors, thereby complying with the recommendation that a majority of the board should be independent. The chairman is a non-executive, independent director and there is a clear division of responsibility between the chairman and the managing director.

In May 2003, the board determined to formally establish a Board Nomination Committee. Prior to May 2003, the board informally evaluated the board's performance and determined the terms and conditions relating to the appointment and retirement of directors. The Board Nomination Committee was combined with the Board Remuneration Committee in June 2007, and the responsibilities of the combined committee are described further below. The attendance of directors at meeting of the board and various committees are disclosed in the Directors' Report on page 16.

Following appointment to the board, a non-executive director is required under the constitution of the Company to stand for election at the next annual general meeting. Following such an election, a director is appointed for a specific three year term, and upon the expiry of the term is entitled to stand for re-election at the relevant annual general meeting. The period of office held by each director is disclosed on page 12.

In the proper performance of their duties, each director has the right to seek a reasonable level of independent professional advice on matters concerning the company at the company's expense, after obtaining the chairman's approval.

## 3. Ethical standards and code of conduct

The Company has previously advised shareholders that it endorses the need for all directors, managers, office and field staff to maintain a high standard of behaviour and business ethics in our day-to-day business activities. The board has responsibility for developing and monitoring:

- expectations with regard to ethical conduct
- periods during which directors may deal in the securities of the company and procedures for notification of such dealing
- procedures to be adopted in respect of potential conflicts of interest
- procedures for prior approval of contracts with directors.

The board has established a formal code of conduct that complies with the best practice recommendations regarding standards of ethical behaviour for directors, managers and staff. The board has recently revised the share trading policy that restricts directors and designated executives (defined as the executives that directly report to the Managing Director, and the managers that directly report to such executives) to only trade in the company's securities during specific periods, and requires notification of trades. The code of conduct and share trading policy are posted on the company's website, [www.programmed.com.au](http://www.programmed.com.au).

## 4. Integrity in financial reporting

The Board established a Board Audit and Compliance Committee in September 1999. In 2002, the name of the committee was changed to the Board Audit Compliance and Risk Management Committee. Since inception, the membership of the Committee has comprised only non-executive independent directors, with the current membership being:

- Brian John Pollock (Chair)
- Susan Mary Oliver
- Jonathan Gladstone Whittle

The formal charter of the Board Audit Compliance and Risk Management Committee includes the following roles and responsibilities:

- reviewing the half-yearly and annual financial statements prior to their approval by the Board
- monitoring the effectiveness of internal control and management information systems
- liaising with the external auditors to ensure that statutory audits are conducted in an effective manner
- monitoring compliance with the Corporations Law, Stock Exchange Listing Rules and other regulatory authorities and financial institutions
- reviewing of significant areas of potential business and legal risk when they are identified and determining procedures to manage these risks on a case-by-case basis

Material matters arising from the meetings of the Board Audit Compliance and Risk Management Committee are reported to the Board, with each director being provided with the minutes of Committee meetings. The number of Committee meetings and the members' attendance are disclosed in the Directors' Report on page 16. The external auditors, the managing director, the chief financial officer and other executives are invited to attend the Committee meetings at the discretion of the Committee.

## 5. Timely and balanced disclosure

To ensure compliance with the ASX Listing Rule disclosure requirements and accountability at a senior management level for that compliance, the board has established written policies and procedures that are incorporated into the code of conduct.

The current practice of the board is to review and authorise any company announcement to ensure that the information is factual, timely, clearly expressed and contains all material information so that investors can make appropriate assessments of the information for investment decisions. All Company announcements, and related information, such as financial statements and public presentations, are placed on the company website, [www.programmed.com.au](http://www.programmed.com.au).

When releasing financial information, the Company includes commentary to enhance clarity and include information needed by an investor to make an informed assessment of the Company's activities, performance and results.

## 6. Respect the rights of shareholders

The Company is committed to informing shareholders of all major developments affecting the operations of the Company and the state of its affairs, and the board has established written procedures that are incorporated into the code of conduct. To provide timely receipt of information, the Company encourages shareholders to review the company website.

With the assistance of Computershare, our share registrar, shareholders are encouraged to register for the electronic receipt of all shareholder communications, including the notice of annual general meeting. Currently, almost twenty-five per cent of shareholders are receiving all Company communications via email notification. The annual report is available on the Company website, although less than ten per cent of shareholders still choose to receive a printed annual report by mail.

The Company was one of the first listed companies to conduct proxy voting for the Annual General Meeting by electronic means. The full text of notices of any shareholder meeting together with an explanatory material is available by email to current shareholders and publicly accessible on the company website.

## 7. Recognise and manage risk

As described above, the Board Audit Compliance and Risk Management Committee has responsibility to review significant areas of potential business and legal risk, and to monitor the effectiveness of internal control and management information systems.

Management has established and implemented the Risk Management Procedures, including the Authority Matrix and the Risk Register, which identify, assess, monitor and manage the material business risks. Each division is responsible and accountable for implementing and managing the material operating risks of the division. Material business risks for the company may arise from such matters as actions by competitors, government policy changes, occupational health and safety, environment, financial reporting, regulatory compliance, liquidity and information systems.

The Board Audit Compliance & Risk Management Committee reviews the risk register, with any major changes being presented to the next meeting and the full register being presented every six months to the Committee. As the ultimate responsibility for risk oversight and risk management rests with the Board, any material risks would be reported to the Board by the Chairman of the Board Audit Compliance & Risk Management Committee.

The managing director and the chief financial officer have stated in writing to the Board that the company's financial statements for each annual and half-yearly report present a true and fair view, in all material respects, of the company's financial condition and operating results; and that the integrity of the financial statements has been founded on a sound system of internal compliance and control.

## 8. Remunerate fairly and responsibly

The Board established the Remuneration Committee in September 1999. The Remuneration Committee was combined with the Nomination Committee in June 2007 to form the Board Remuneration and Nomination Committee. Since inception, the membership of the Committee has comprised only non-executive independent directors, with the current membership being:

- Geoffrey Allan Tomlinson (Chair)
- Jonathan Gladstone Whittle
- Brian John Pollock

The formal charter of the Board Remuneration and Nomination Committee includes the following roles and responsibilities:

- establishing appropriate remuneration levels and policies, including incentive policies, for senior executives
- assessing that senior executives are being rewarded commensurate with their responsibilities
- reviewing the recruitment, retention and termination policies and procedures for senior executives
- reviewing and making recommendations on any incentive schemes for senior executives and management
- reviewing the succession planning for the Managing Director, senior executives and management
- assessing the necessary and desirable competencies of board members
- reviewing the board's succession plans
- evaluating the board's performance
- making recommendations for the appointment and removal of directors.

If the Board Remuneration and Nomination Committee determined that a new non-executive director was required, the Committee would seek the most suitable person with an appropriate range of skills and expertise. The identified individual would then stand for election at the next annual general meeting.

The number of meetings of the Board Remuneration and Nomination Committee, and the members' attendance are disclosed each year in the Annual Report. The managing director is invited to attend the Committee meetings, as required, to discuss senior executives' performance and remuneration packages but does not attend meetings involving matters pertaining to him.

The remuneration of the key management personnel of the company is disclosed in the Remuneration Report included each year in the Annual Report. The disclosure includes the salary, superannuation contributions, non-cash benefits and incentives. The remuneration of the non-executive directors is clearly distinguished from the managing director's remuneration.