



3 October 2005

Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
Level 4  
20 Bridge Street  
**Sydney NSW 2000**

Dear Sir

### **UPDATED STATEMENT OF CORPORATE GOVERNANCE**

Further to the announcement on 19 August 2005, the company wishes to advise the ASX that it has updated the Statement of Corporate Governance to be included in the 2005 Annual Report. The updated statement is attached to this notice.

The Annual Report, is expected to be forwarded to the ASX and mailed to shareholders on 7 October 2005.

Yours sincerely  
**VERTICON GROUP LIMITED**

**Peter Cooper**  
**Company Secretary**

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## **Statement of Corporate Governance**

The Company's Board of Directors is responsible for protecting the rights and interests of all shareholders in the company through a process of policy setting and performance monitoring.

This statement sets out the corporate governance practices that were established during the period ended 30 June 2005 being the first period since the company was formed. During this period the company listed on the Australian Stock Exchange (ASX) on 17 December 2004. Any instances of non-compliance with the Best Practice Recommendations of the ASX Corporate Governance Council are noted.

### **The role of the Board includes:**

- guiding and approving strategic direction and business planning;
- monitoring business performance against agreed benchmarks;
- ensuring the effectiveness of internal controls and business risk management;
- appointing and monitoring the performance of the company's Managing Director;
- ensuring the company complies with its responsibilities under the Corporations Act, the ASX Listing Rules, the Company's Constitution and other relevant laws.

### **Structure and composition of the Board**

The names of the directors of the company at the date of this statement are included in the Directors' Report.

The Board comprises five directors, two executive directors (the managing director and the executive director of Seca) and three non executive directors. Two of the non executive directors are assessed as not being independent due to a significant shareholding in Verticon Group Limited. The chairman is a non executive independent director and there is a clear separation of responsibility between the chairman and the managing director.

The criteria for assessing whether a director is independent are as follows

- the director must be a non executive
- not to be a substantial shareholder of the company or otherwise associated directly with a substantial shareholder of the company
- not to be a material supplier to the company or otherwise directly with a substantial shareholder of the company

Despite not having a majority of independent directors, the board believes its level of broad management skill and experience, financial skill and deep understanding of the construction industry allow it to guide and direct the company in an appropriate manner.

It is the Board's intention to appoint another independent director in the current financial year.

Prior to listing on the ASX on 17 December 2004 the board established an Audit and Risk Committee, Occupational Health Safety and Environmental Committee, Nomination Committee and a Remuneration Committee.

Each committee has a charter which is published on the company's website. The number of meetings held and directors' attendances are disclosed in the Directors' Report on page 14.

Under the constitution of the company the non executive directors are appointed for a three year term and, upon expiry of the term are entitled to stand for re-election at the relevant annual general meeting. The only exception to the three year term is in the first year of the company whereby the term of the directorship expires at the first annual general meeting. This applies to all directors except the managing director. The four directors whose term expires at the first annual general meeting have offered themselves for re-election at the first annual general meeting.

### **Ethical standards and code of conduct**

The company endorses the need for all directors, managers and staff to maintain a high standard of behaviour and carry out day to day business in an ethical manner.

The board has a responsibility for developing and monitoring :-

- expectations regarding ethical conduct
- when directors can deal in securities and notification of such dealing
- procedures to be adopted in respect of potential conflicts of interest

During the period the company has released policies in relation to workplace conduct of employees, health and safety and trade practices compliance. Prior to listing on the ASX, the board had adopted a policy for directors and senior executives dealing in securities.

A formal code of conduct is currently being developed and will be published once completed.

### **Financial reporting and Audit and Risk Committee**

The managing director and chief financial officer, have stated in writing to the board

- that the company's financial statements for the period ended 30 June 2005 give a true and fair view, in all material respects of the company's operating results and financial condition and have been prepared in accordance with relevant standards and;

- that the integrity of the financial statements is founded on a sound system of risk management and internal compliance which implements the policies adopted by the board and;
- that company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The audit and risk committee was established prior to the listing of the company on the ASX on 17 December 2004.

The members of the audit and risk committee comprise only non executive directors of which two members are not independent. The chairman of the audit and risk committee is not the chairman of the board. The members of the committee are:-

- David Wieland (chairman)
- David Goldberger
- Michael Butler

The board is satisfied that the audit and risk committee has sufficient financial, public company, industry sector and business expertise to discharge its duties at this stage in the company's development.

The formal charter of the audit and risk committee includes the following roles and responsibilities:-

- Reviewing the company's financial control practices and evaluating the effectiveness of those practices.
- Monitoring the integrity of the company's financial statements.
- Making recommendations in relation to the nomination and remuneration of external auditors
- Reviewing management practices in relation to the identification and management of significant financial risk areas and regulatory compliance (other than in relation to occupational health and safety, and environmental matters).

The number of meetings of the audit and risk committee and the members' attendance is disclosed in the Directors' Report on page 14.

The company and audit and risk committee policy is to appoint external auditors who demonstrate independence, quality and performance. The performance of the external auditor will be reviewed on an annual basis.

### **Timely and balanced disclosures**

The managing director and chief financial officer are responsible for ensuring that the ASX disclosure rules are fully complied with. The board, on a regular basis makes

enquiries of senior management to ensure that the company's obligations in relation to continuous disclosure have been met.

The policy on continuous disclosure will be released at the same time as the release of the code of conduct.

### **Shareholder communication and participation**

The company is committed to keeping shareholders fully informed of developments and information concerning the company.

To facilitate communications the company has developed a website, [www.verticon.com.au](http://www.verticon.com.au), on which shareholders can view company announcements, company financial reports, company policies and practices and the charters of the board and the various board committees. The company is in the early stages of development of a program designed to keep shareholders regularly informed about the company's activities.

The board will be encouraging shareholders to attend and participate in the inaugural annual general meeting, to be held on Tuesday 8 November at the Carlton Crest Hotel, 65 Queens Road Melbourne, at 11:00am and subsequent meetings where shareholder participation is required.

### **Risk oversight and management**

As described above, the board has established an audit and risk committee which has the responsibility to review significant areas of risk and to monitor the effectiveness of internal control and compliance.

The risk management committee and the board are regularly kept updated as to risk management and risk mitigation activities that occur throughout the company.

During the period a comprehensive risk analysis of the company was completed from which a risk framework and risk management program will be developed. This program will be monitored by the audit and risk committee.

### **Enhancing performance**

A review of the board and senior executives has not yet taken place as the company is still in its first year of operation.

It is the Chairman's intention to review the performance of each Director and the Board as a whole. This review will be conducted each year in August with the first review before the 2006 annual general meeting. The evaluation process will be published on the company's website.

### **Remuneration practices**

The board established the remuneration committee prior to the 17 December 2004 listing on the ASX.

The committee is comprised of two non executive, though non independent directors being:-

- David Wieland (chairman)
- David Goldberger

As mentioned above, both directors have chosen to forego fees in relation to the services they provide to the company as directors.

The charter of the remuneration committee includes:-

- Reviewing and making recommendations to the board on remuneration packages and policies applicable to directors, senior executives company employees generally.

The remuneration of directors and the five senior executives of the company are set out on page 15 in the Directors' Report. The disclosure sets out the salary, bonus entitlements, non cash benefits, retirement benefits and equity related components of salary.

The remuneration of non executive directors is clearly distinguished from the managing director's remuneration.

Non executive directors receive remuneration based on salary and superannuation and exclude any remuneration related to bonus payments or options.

### **All stakeholder interests**

The company is aware of its legal and other obligations to a range of various stakeholders.

The company intends to establish a corporate code of conduct and will release and publish the corporate code of conduct in conjunction with the personal code of conduct that is currently being developed.

