

## Comparison of Corporate Governance Practiced

The following table shows the extent to which MSL's Corporate Governance practices reflect the principles and recommendations set down by the ASX Corporate Governance Council (ASX CGC)

### ASX CGC Principles & Recommendations

#### Principle 1: Lay solid foundations for management and oversight

**Recommendation 1.1:** Formalise and disclose on the company's website the functions reserved to the board and those delegated to management. ✓

#### Principle 2: Structure the board to add value

**Recommendation 2.1:** A majority of the board should be independent directors. ✓

**Recommendation 2.2:** The chairperson should be an independent director. ✓

**Recommendation 2.3:** The roles of chairperson and chief executive officer should not be exercised by the same individual. ✓

**Recommendation 2.4:** The board should establish a nomination committee. X  
As the whole Board only consists of 3 members the Company does not have a separate nomination committee. Board structure and nomination matters are addressed by the main Board.

**Recommendation 2.5:** The Company should provide relevant information to allow investors to understand the independence and competencies of directors and the mechanics for promoting and ensuring these.

Provide the following information in the annual report:

a. The range of skills, experience and expertise relevant to the position of director and held by each director ✓

b. Names of the directors considered by the board to constitute independent directors and the basis thereof. ✓

c. A statement as to whether there is a procedure agreed by the board for directors to take independent advice at the company's expense ✓

d. The term of office of each director at the date of the annual report ✓

e. Non –Executive directors should be appointed for a specific term X

There are no maximum terms for non-executive director appointments. The Board does not agree with the setting

of arbitrary limits on the tenure of non-executive directors. Instead, the tenure of directors is dependent on their ability to meet established performance criteria with performance being formally review on an annual basis. Non-executive directors are subject to re-election by rotation at least every three years and retire by agreement at the annual meeting following their 72<sup>nd</sup> birthday. Newly-appointed directors must seek re-election at the first general meeting of shareholders following their appointment.

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|---|---|
| f. Names of members of the nomination committee<br>Same members as the main Board | X |
| f. Explanation of any departure from best practice recommendations                | ✓ |
| g. A copy of the nomination committee's policy for the appointment of Directors   | ✓ |
| h.  |   |

### **Principle 3: Promote ethical and responsible decision-making**

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|----------------------------|--|---|
| <b>Recommendation 3.1:</b> | 3.1.1 Clarify the standards of ethical behaviour required of company directors and key executives and encourage observance | ✓ |
|                            | 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | ✓ |
| <b>Recommendation 3.2:</b> | Disclose the policy concerning trading in company securities by directors, officers and employees.                         | ✓ |
| <b>Recommendation 3.3:</b> | The following information should be made publicly available (ideally on the website)                                       |   |
|                            | • the code of conduct or summary of its main provisions  | ✓ |
|                            | • The trading provisions or summary of the main provisions   | ✓ |
|                            | • Explanation of departure from best practice recommendations  | ✓ |

### **Principle 4: Safeguard integrity in financial reporting**

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|----------------------------|--|---|
| <b>Recommendation 4.1:</b> | The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should formally state in writing to the board that the company's financial condition and operational results are in accordance with relevant accounting standards. | ✓ |
| <b>Recommendation 4.2:</b> | The board should establish an audit committee.   | ✓ |
| <b>Recommendation 4.3:</b> | Structure the audit committee so that it consists of:  |   |
|                            | • only non-executive directors   | ✓ |

- a majority of independent directors ✓
- an independent chairperson, who is not chairperson of the board ✓
- at least three members. X

As the Board only has 2 independent directors we do not meet this minimum requirement. However, in accordance with the ASX Listing Rules the Company is planning to increase the number of audit committee members following the completion of the pending merger.

**Recommendation 4.4:** The audit committee should have a formal charter. ✓

**Recommendation 4.5:** The Corporate Governance section of the Annual Report should contain:

- details of names & qualifications of those appointed to the committee ✓
- number of meetings of the Audit Committee or of any alternative structure that fulfils its functions, and the names of attendees. ✓
- explanation of any departure from best practice ✓

## **Principle 5: Make timely and balanced disclosure**

**Recommendation 5.1:** Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. ✓

- are made in a timely manner ✓
- are factual ✓
- do not omit material information ✓
- are expressed in a clear and objective manner ✓

The policies and procedures should address: ✓

- The type of information that needs to be disclosed ✓
- Internal notification and decision making concerning the disclosure obligation ✓
- The roles and responsibilities of Directors, officers, employees of the company in the disclosure context; in particular, who has primary responsibility for ensuring that the company complies with its disclosure obligations and who is primarily responsible for deciding what information will be disclosed. ✓
- Promoting understanding of compliance. ✓
- Monitoring compliance ✓
- Measures for seeking to avoid the emergence of a false market in the company's securities ✓

- Safeguarding confidentiality of corporate information to avoid premature disclosure ✓
- Media contact and comment ✓
- External communications such as analyst briefings and responses to shareholder questions ✓

The company should include commentary on financial results to enhance the clarity and balance of reporting. ✓

The commentary should include information needed by an investor to make an informed assessment of the entities, activities and results ✓

**Recommendation 5.2:** The company should include in the annual report: an explanation of any departure from best practice recommendations, and (ideally this year on the website): a summary of the policies and procedures designed to guild compliance with listing rule disclosure requirements. ✓

### **Principle 6: Respect the rights of shareholders**

**Recommendation 6.1:** Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings. ✓

**Recommendation 6.2:** Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report ✓.

### **Principle 7: Recognise and manage risk**

**Recommendation 7.1:** The board or appropriate board committee should establish policies on risk oversight and management. ✓

**Recommendation 7.2:** The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:

- a) the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board ✓
- b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. ✓

**Recommendation 7.3:** The following material should be included in the Corporate Governance section of the annual report.

- a) explanation of any departure from best practice recommendation ✓
- b) and (ideally on the website): a description of the company's risk management policy and internal compliance and control system ✓

## Principle 8: Encourage enhanced performance

- Recommendation 8.1:** Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives. ✓

## Principle 9: Remunerate fairly and responsibly

- Recommendation 9.1:** Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance ✓

- Recommendation 9.2:** The board should establish a remuneration committee. X  
As the whole Board only consists of 3 members the Company does not have a separate remuneration committee, rather time is set aside at two Board meetings each year to specifically address the matters usually considered by the remuneration committee. Executive directors absent themselves during discussion on their remuneration.

- Recommendation 9.3:** Clearly distinguish the structure of non-executive directors' remuneration from that of executives. ✓

- Recommendation 9.4:** Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. ✓  
(see note 1 below)

Employee Incentive Scheme ✓

- Recommendation 9.5:** Provide the information indicated in the Annual Report
- a) disclosure of the company's remuneration policies referred to in the best practice recommendation 9.1 ✓
  - b) the names of members of the remuneration committee and their attendance at meetings of the committee ✓
  - b) the existence and terms of any schemes for retirement benefits other than statutory superannuation, for non-executive directors ✓
  - c) the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee. ✓

**Principle 10: Recognise the legitimate interests of stakeholders**

**Recommendation 10.1:** Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. ✓

Note:

1. MSL is permitted to issue shares and options under its employee equity plans representing up to 5% of issued capital to its employees in accordance with a resolution approved by shareholders. To date shares and options issued represent approximate 2.1% of issued capital.