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**CORPORATE  
GOVERNANCE  
MANUAL**

Update January 2011



## **Corporate Governance Manual**

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## 1. Introduction

### Corporate Governance Manual

The Board, Senior Management and all employees are committed to effective Corporate Governance and to observing the highest standard of behaviour and conduct.

The Board endorses and has adopted the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" published in March 2003, as the basis for its ongoing practices.

### Principles of Good Corporate Governance

Corporate Governance is concerned with improving the performance of companies for the benefit of shareholders, stakeholders and for economic growth. It focuses on the conduct of, and relationships between, the board of directors, managers and the company's shareholders.

Corporate Governance is designed to:

- Enhance corporate performance.
- Instil investor confidence in the Company.
- Strengthen shareholder and community confidence in an entity.
- Enhance public reputation through increased transparency and accountability.
- Permit entities to demonstrate the effective discharge of legal, shareholders and ethical obligations.
- Provide a mechanism for benchmarking of accountability.
- Assist in detection and prevention of fraud, dishonesty or unethical behaviour.

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## 2.1 Board Code of Conduct

### **Introduction:**

#### *Underlying Values*

Lifestyle Communities Ltd is committed to the highest standard of corporate ethics and business integrity. This commitment is made by the Board who expect all employees, contractors and officers of the company to adhere to the same principles.

The Board views the future of the company as dependent not only on the business it engages in, but also in the manner in which it carries on that business.

#### *Scope & Application*

This Code of Conduct is specifically for the Board but it is expected that, as it sets a company standard, it will be universally observed throughout the company.

### **Code Rules:**

#### *Corporate Ethics*

Deceptive or unethical practices will be avoided at all times and in all the company's dealings and affairs. All company personnel at all levels will deal with customers, shareholders, suppliers, competitors and employees honestly and fairly at all times.

#### *Conflict of Interest*

While conflicts of Interest are to be avoided, it is recognised that this is not always possible.

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In the event of a Conflict, the relevant Director will inform the Chairman as soon as possible of the details. The Chairman will decide whether any Board papers relating to the matter should be withheld from that director.

In a meeting, a Director will announce to the Board any Conflict or Potential Conflict of Interest and will exclude him/herself from all discussion and voting on the relevant issue, and, if appropriate, retire from the room for the duration of the Board's deliberations on the matter.

#### *Representation*

The Directors recognise that they have no executive powers outside of the Board except as specifically delegated by the Board. Public representation in the form of press releases, ASX releases, interviews and investment analyst reviews are delegated to the Chairman and Managing Director who may co-opt as they see fit. Other Directors will not publicly represent the company and will seek to avoid any circumstance that may inadvertently lead them to do so.

It is in the best interests of the company that stakeholders be appropriately informed. Directors are not prohibited from talking to individuals such as shareholders but in doing so will adhere to the principles of confidentiality set out elsewhere in the Code.

#### *Improper use of company information - Confidentiality*

Company information is the property of the company and may not be disclosed to anyone unless in the right and proper course of business. The improper use of company information which includes *inter alia* the use of corporate information for personal gain, is considered a very serious breach of this code.



### *Use of Company Assets*

The assets of the company are to be protected on behalf of the shareholders and will not be used for any purpose other than in the proper course of the company's business.

### *The Board's Operations*

The Board will carry out its duties as outlined in the Lifestyle Communities Ltd Board Charter to the best of its abilities. The Directors will act within the confines of the Board and refrain from doing any public act that would denigrate the name of the Company or harm its operations in any way.

### *Share Trading Policy*

The potential for a breach of the insider trading law is a matter that must be constantly addressed by anyone with knowledge of the company's affairs. The company has detailed procedures aimed at preventing any such breach and it is incumbent upon everyone associated with the company to observe those procedures at all times.

### *Equal employment and non-discrimination*

Lifestyle Communities Ltd is committed to the principles of equal employment and non-discrimination. All employment decisions will be made on the basis of the best candidate regardless of gender, race, sexuality, religion or affiliations.

Harassment, whether sexual or any other kind is contrary to the company's principles and policies.

Staff who are employed by the Company will be treated with respect and will be accorded the highest standards of working conditions and professional opportunity that circumstances allow.

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### *Compliance with laws*

Fundamental to the company's principles is the observance of the law in its many forms and paying due attention to the spirit as well as the letter of the law.

### *Environmental*

The company is committed to following best practice in regard to environmental issues.

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## 2.2 Board Charter

### **Purpose:**

Lifestyle Communities Ltd is committed to high standards of corporate governance and business integrity. This document sets out the duties, responsibility and scope of the Board.

### **Responsibilities of the Board;**

1. To set the strategic direction of the company and delegate responsibility to management for its implementation.
2. To continuously monitor the company's progress against the Strategic Plan and implement corrective action where necessary.
3. To strive to create shareholder value and ensure that shareholders' rights are safeguarded.
4. To recognise the legitimate interests of all stakeholders, being the shareholders, customers, staff and the communities in which the Company operates.
5. To ensure continuing compliance with applicable laws, regulations, company policies, the company's Constitution, internal control procedures, the company's Code of Conduct and good governance practice. In particular, to review compliance and best practice in regard to Occupational Health & Safety, Environmental Issues and Fairness, Respect and Diversity in Employment (formerly known as Equal Opportunity) and record keeping.
6. To provide leadership and vision to those under its direction.
7. To institute and supervise a Risk Management Policy covering the affairs and situation of the company and to take appropriate action to mitigate those risks as necessary.
8. To approve budgets and other performance indicators and continuously monitor performance.

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9. To adopt a Code of Conduct for the guidance of itself and the executives and staff, to review the code annually and to communicate it to all concerned.
10. To adopt an entity structure to assist best practice in Corporate Governance, including ensuring that a Corporate Governance culture exists within the entity, which is aligned with the Company's values and strategies, and which:
  - enhance the Company's reputation;
  - maintain high standards of behaviour; promote ethical and responsible decision making;
  - communicate clear expectations;
  - develop pride in the Company;
  - comply with ASX Listing Rules (as applicable); and
  - be at the forefront of best practice.
11. To select and appoint a Chief Executive Officer (CEO), to evaluate his or her ongoing performance against agreed performance indicators and to determine his/her remuneration and rewards. To remove the CEO if necessary.
12. To ensure that the CEO has the resources necessary to perform his/her function in a manner consistent with the objectives and standards of the company.
13. To set out the limits of its delegation to the CEO and approve key areas of delegation by the CEO to other executives.
14. To ratify the appointment and where appropriate, the removal of the Chief Financial Officer or equivalent and the Company Secretary.
15. To appoint the appropriate committees to assist in the proper governance of the Company.
16. To ensure that the Board is fully informed of all matters and events that could impact upon its responsibilities, and in particular, will ensure that it receives all relevant information to ensure an informed decision making process.



17. To ensure that the Board periodically reviews its own performance and the performance of individual directors in the light of the Board Charter and Code of Conduct.
18. To institute appropriate communication procedures to maintain an informed market in relation to the company's shares.
19. To periodically review the membership of the Board to ensure that it has access to the skills and experience required to adequately direct the company.
20. To establish appropriate procedures for the induction of new Directors in order to ensure that they understand and fully appreciate the company, its mission and policies and have an up to date knowledge of the company's affairs.
21. To meet regularly with additional meetings called as required.
22. To acknowledge that Directors have no executive powers in their own right except as delegated by the Board.
23. To ensure that the Chairperson is chosen only from among the non-executive Directors.

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## 2.3 Remuneration & Nomination Committee Charter

### **Purpose:**

Lifestyle Communities Ltd recognises the importance of the selection and adequate remuneration of the Chief Executive Officer and future Directors. This document sets out the duties of the Remuneration and Nomination Committee.

### **Constitution:**

The Constitutions of the Company are silent on the subject of this specific committee, although Clause 18.6 regulates the operations of all Committees of the Board. It is the policy of the Board that this committee should consist of three of the non-executive directors and will be chaired by the Chairman of the Board who will have the power to co-opt others as required. This could include outside expertise for the purpose of benchmarking the remuneration of the CEO.

### **Reporting:**

The Audit Committee will report to the Board of Lifestyle Communities Ltd and will make such recommendations as it deems appropriate.

### **Responsibilities:**

#### *Regarding the CEO:*

When required, to identify a potential new CEO and to recommend to the Board his appointment as CEO.

- To set Key Performance Indicators covering the CEO's responsibilities.
- To assess the performance of the CEO against the KPIs.
- To evaluate the adequacy of the CEO's remuneration in the light of his/her performance and the levels of remuneration in business generally.
- To consider such data as may be available concerning current trends in remuneration packages for CEOs.
- To consider any incentive schemes that may be appropriate.



- To periodically assess the authority of the CEO and to recommend any limitations on that authority as appropriate.
- To report to the Board and make recommendations as appropriate.

*Regarding the Board:*

- To periodically review the skills of the Directors and to evaluate the Board's requirements against those skills.
- To periodically assess the performance of the Board and consider ways in which such performance may be improved.
- To periodically assess the level of remuneration of the Directors and make such recommendations as are appropriate.
- To identify prospective Directors in the light of the skills required.
- To report to the Board and make recommendations as appropriate.

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### 3.1 Disclosure Policy

#### **Purpose:**

Lifestyle Communities Ltd is committed to maintaining a regime of full and proper disclosure of its operations to its shareholders and the investing public.

To achieve this, a Disclosure Officer is appointed to coordinate disclosure. It is the responsibility of the Board, under advice from the Disclosure Officer, to ensure that all proper disclosures are made.

#### **Responsibilities:**

The principle to be observed is that any information about the company, that any reasonable person would expect could have a material effect on the price or value of the company's shares should be released to public view.

ASX Listing Rules, Chapter 3 outlines the responsibilities for continuous disclosure. This chapter is the minimum standard that will be observed by the company.

The Listing Rules contain certain exceptions to the principle. These will be observed when appropriate.

The Listing Rules address the issues of:

Buy Backs

Capital Re-organisations

Escrow (both restrictions and voluntary) movements

Meetings

Officers

Registers

Personnel (Directors, Chairman, Secretary etc.)

Directors' Interests.

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The company does not consider the Listing Rules to be a definitive statement of the information to be disclosed and will seek to go beyond the minimum in order to ensure an orderly market in the company's securities.

The Board, through the Disclosure Officer, will ensure that no market sensitive information is released to special groups or individuals (for example, analysts briefings), without being released to the market.

The Board will institute and maintain policies, procedures and education programmes to ensure that directors and employees are well equipped to identify issues which could affect the share price of the Company, if these were known to the market.

### 3.2 Share Trading Policy

#### *Definition*

For the purposes of this policy:

- "associate" has the meaning given to it in the *Corporations Act 2001 (Cth)*.
- "Closed Period" has the meaning given to it in paragraph 4 below.
- "Company" means Lifestyle Communities Ltd.
- "deal" in respect of the Securities means buy or sell the Securities or enter into transactions in relation to the Securities, and "dealing" in respect of the Securities has a corresponding meaning.
- "Employees" means the directors, officers, consultants, contractors and employees of the Company or its related body corporate.
- "key management personnel" means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors, officers and members of senior management of the Company.
- "non-public price sensitive information" means information which is not generally available to the public and which a reasonable person would expect to have a material effect on the price or value of the Securities.
- "related body corporate" has the meaning given to it in the *Corporations Act 2001 (Cth)*.
- "Securities" mean shares, options or other securities in the Company (including financial products issued or created over the Company's securities by third parties, or associated products).
- "Window Periods" has the meaning given to it in paragraph 3 below.

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### **Policy:**

This policy regulates dealings in the Securities by the Employees . The objectives of this policy are to:

- Ensure that the Employees are aware of the legal restrictions on dealings with the Securities while they are in possession of non-public price sensitive information.
- Raise awareness and minimise any potential for breach of the prohibitions on insider trading contained in the *Corporations Act 2001 (Cth)*.
- Minimise the chance that misunderstandings or suspicions arise that the Employees are trading while in possession of non-public price sensitive information.

### **Legal Considerations:**

The *Corporations Act 2001 (Cth)* prohibits persons who are in possession of price sensitive information in relation to particular securities that is not generally available to the public from:

- Dealing in such securities
- Communicating the information to others who might deal in such securities.

### **Policy – dealing in Securities**

- 1) Employees should not deal in the Securities or communicate information concerning Lifestyle Communities Ltd to a person who may deal in the Securities if they are in possession of any non-public price sensitive information.
- 2) Employees are also prohibited at all times from entering into transactions which:
  - amount to "short selling" of the Securities (or an interest in the Securities);
  - operate to limit the economic risk associated with holding the Securities;
  - enable an Employee to profit from or limit the economic risk of a decrease in the market price of the Securities; or
  - provide lenders with rights over their interest in the Securities.
- 3) Subject to the other prohibitions and restrictions in this policy, and unless otherwise declared by the Company (for example where

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there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception), Employees will generally be permitted to deal in the Securities during the following periods ("Window Periods"):

- Within the period of one month after the release of annual and half yearly results.
  - Within the period of one month after the issue of a prospectus.
  - Any other period as determined by the Company from time to time.
- 4) Trading in the Securities may occur outside of the Window Periods ("Closed Period") only with the approval of the Chairman. Approval will ordinarily only be granted in exceptional circumstances (see paragraph 7 below) and only in the event that the person involved is not in possession of non-public price sensitive information.
- 5) Despite paragraph 3 above, during a Window Period, directors and key management personnel must not deal in the Securities unless:
- they have advised the Chairman (or in the case of the Chairman, the other directors) of their intention to do so and confirm that they are not in possession of any non-public price sensitive information; and
  - the Chairman (or in the case of the Chairman, the other directors) has indicated that there is no impediment to them doing so.
- 6) An Employee should not procure an associate or any other person to deal with the Securities in circumstances in which that Employee is himself or herself precluded from dealing with the Securities under this policy or by law. It is incumbent on each Employee to ensure that an associate does not deal with the Securities in circumstances where the dealing could be attributed to the Employee concerned.
- 7) If an Employee needs to deal with the Securities due to exceptional circumstances during the Closed Period (against the policy in paragraph 3 above) or against the policy in paragraph 2 above, the Employee may apply to the Chairman (or in the case of the Chairman, the other directors) for a waiver from compliance with the relevant paragraph. Exceptional circumstances for these purposes include severe financial hardship, illness, compulsion by court order or any other circumstances that is deemed exceptional by the Chairman (or in the case of the Chairman, the other directors). The application must set out the circumstances of the proposed dealing and the reason the waiver is requested.



The decision whether to grant a waiver is at the complete discretion of the Chairman (or in the case of the Chairman, the other directors). If a waiver is granted, the Employee concerned will be notified in writing (which includes notification via email) and in each case the waiver is valid for 2 business days from the date the notification of the waiver is provided. Any waiver granted under this paragraph will be a waiver of breach of this policy only, and the laws against insider trading will still apply.

- 8) Subject to the overriding prohibition against insider trading referred to in paragraph 1 above, the requirements of this policy do not apply to and do not restrict participation in:
- acquisition of the Securities through an employee share and option plan, employee incentive scheme, dividend reinvestment plan, long term incentive plan, share purchase plan available to all retail shareholders or rights issue;
  - transfer of the Securities already held into a superannuation fund or other savings scheme in which the Employee concerned is a beneficiary;
  - an investment in, or trading units of, a fund or other scheme (other than a scheme only investing in the Securities) where the assets of the fund or other scheme are invested at the discretion of a third party;
  - where an Employee is a trustee of a trust, trading in the Securities by that trust provided that the Employee is not a beneficiary of the trust and any decision to trade is taken by the other trustees or by the investment managers independently of the Employee concerned;
  - disposal of the Securities through the acceptance of a takeover offer;
  - disposal of the Securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement; and
  - dealings that do not result in a change to the beneficial interest in the Securities.
- 9) Key management personnel must notify the Chairman in writing within 3 business days after any dealings in the Securities made at any time.

### **Communication of Information**

- 1) As mentioned above, the insider trading laws may prohibit the communication of information concerning the Company to others.



- 2) Employees must not discuss non-public price sensitive information with a person who may be likely to deal with the Securities. In addition, it is imperative that an Employee does not recommend or otherwise suggest to any person (including a spouse, relative, friend, trustee of a family trust or directors of a family company) dealing in the Securities.

The reason for this goes beyond the insider trading laws – Employees have a duty of confidentiality to the Company. Further, in the long run, the recommending of Securities on an informal basis is likely to lead to difficulties for the Employee concerned.

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## 4.1 Shareholders

### *Shareholders' Charter*

1. Shareholders are entitled to be kept fully informed regarding the progress and performance of the company.
2. Such information should be adequate to enable the shareholder to evaluate the effectiveness of management and to form an opinion on the future prospects of the company.
3. Shareholders are entitled to be informed of and be invited to all General Meetings of Members with adequate notice as specified by the Corporations Law and the Listing Rules.
4. Shareholders are entitled to be treated equally with all other shareholders.
5. Shareholders are entitled to be heard at General Meetings, to ask questions of Directors and the Auditor and to vote on those matters appropriate to shareholders' meetings.
6. Shareholders are entitled to expect that all meetings of members will be conducted in an orderly fashion with due regard and courtesy toward the shareholders and that the Chairman will exercise such powers as are at his command to enforce this principle.
7. Shareholders are entitled to expect that the Board will act at all times in their best interests and the best interests of the company.
8. Shareholders are entitled to expect the company to remain listed on a recognised Stock Exchange subject to the law and Stock Exchange Rules.
9. Shareholders are entitled to expect the Board to abide by its published Governance Procedures.

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## 5.1 Financial Reporting Policy

The Board will ensure the integrity of external reporting including:

1. review and monitor the controls, processes and procedures instituted to maintain the integrity of the Company's financial and accounting records and statements, with the guidance of the Audit Committee;
2. review reporting to shareholders to ensure accurate, objective and comprehensive timelines of the information; and
3. receive and monitor the reports of the Audit Committee in relation to risk, internal controls and internal and external audit reports.

The Board will liaise with the Auditors through the Audit Committee.

The Board will ensure that the company complies with the Corporations Law, International Financial Reporting Standards and the Listing Rules as applicable.

## 5.2 Audit Committee Charter

### **Purpose:**

Lifestyle Communities Ltd is committed to high standards of corporate governance and business integrity. This document sets out the duties of the Audit Committee.

### **Constitution:**

The Audit Committee shall be appointed by the Board and consist of non-executive Directors of Lifestyle Communities Ltd. The Chairperson should be a non-executive Director but may be the Chairman. It will have the authority to call upon such expertise and assistance as required whether from internal or external sources. The committee will, where practicable, consist of at least three members.

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### **Reporting:**

The Audit Committee will report to the Board of Lifestyle Communities Ltd and will make such recommendations as it deems appropriate.

### **Responsibilities:**

To liaise directly with the external auditors independently of management, review their performance and make recommendations regarding selection, retention or replacement of the auditor as appropriate.

To assess the procedures for the rotation of audit partners.

To review all non-audit services performed by the auditors in order to maintain the impartiality of the audit process.

To consider any correspondence from the auditor and approve the company's response. In particular to review the annual Internal Control Management Report and Early Audit Warnings.

To meet with the auditors to discuss

- the scope of the annual audit, its timing and methodology.
- the Financial Statements including disclosure levels,
- any significant matters arising from the audit,
- any significant risks or exposures identified during the audit process,
- any difficulties encountered during the audit.

To direct the internal reviews of the organization's control environment, including;

- safeguarding of assets.
- the effectiveness of business processes.
- the reliability of financial reporting; and
- ensuring compliance with all the relevant laws and regulations.

To report back to the Board and in particular, to present minutes of its meetings to the first Board Meeting after the Audit Committee meeting.

To assess whether the external reporting is consistent with the committee's information and knowledge and is adequate for shareholder needs.



## 6.1 Staff Charter

1. All employment decisions will be made on the basis of the best candidate regardless of gender, race, sexuality, religion or affiliations.
2. Harassment, whether sexual or any other kind is contrary to the company's principles and policies.
3. Staff who are employed by the Company will be treated with respect and will be encouraged and assisted to develop professional skills.
4. Staff will be accorded the highest standards of working conditions and professional opportunity that circumstances allow.
5. The company will ensure that all staff are remunerated fairly and in a manner appropriate to their responsibilities and performance.
6. Staff are to expect that their professional future will depend on their loyalty to the company and their performance and their adherence to the Code of Conduct and Governance Principles.

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