



GMR CORPORATE GOVERNANCE

Brief Description

Cardno has established corporate governance practices, which are designed to focus on responsible stewardship, integrity, accountability and effective risk management, on behalf of all shareholders.

1. Responsibilities and functions of the Board

- > The Board takes ultimate responsibility for all corporate governance matters and is accountable to the shareholders for the overall business performance of the Company. Responsibility for the operational conduct of the business is delegated to the Managing Director who is accountable to the Board.
- > The most significant responsibilities of the Board are:
 - reporting to shareholders and the market
 - ensuring compliance with prudential regulations and standards
 - ensuring adequate risk management processes are in place
 - reviewing internal controls and internal and external audit reports
 - monitoring and influencing the culture and reputation of the Company
 - monitoring the Board composition, Director selection and Board process and performance
 - approving key executive appointments and ensuring executive succession planning
 - reviewing the performance and remuneration of the Managing Director and senior management
 - ensuring that the Board as a whole has an appropriate understanding of each substantial segment of the business
 - validating and approving corporate strategy
 - reviewing and approving the annual plans
 - reviewing business results, monitoring budgetary control and corrective actions (if required) and
 - authorising and monitoring major investment and strategic commitments.

2. Board composition

- > The Board currently comprises two executive directors and six non-executive directors. Directors have varied backgrounds and experience. The names and details of the directors in office can be found in the Investor Centre on the company's website.
- > In accordance with the Constitution of Cardno Limited, one half of the Directors (excluding the Managing Director) retire at each Annual General Meeting.

3. Board operations

- > The Board works as a whole across the range of its responsibilities.
- > The Board meets at least nine times per year in scheduled meetings, where it receives monthly performance, operations and compliance reports from the Managing Director, the Chief Financial Officer and the Board Committees.

- > In addition to formal meeting time, directors spend time reading and analysing board papers and reports submitted by management, and they also engage in regular informal discussions with management.
- > All directors have unrestricted access to company records and information, and each director has the right to seek independent professional advice in relation to the execution of Board responsibilities at the Company's expense.
- > Committees are also used to assist the Board in fulfilling its responsibilities. Each Committee has its own charter setting out the authority delegated to it by the Board, and detailing the manner in which the Committee is to operate. The Board has an Audit, Risk & Compliance Committee, a Nomination Committee, and a Remuneration Committee. Special Purpose Committees can also be established as and when required.

4. Audit, Risk & Compliance Committee

- > The Board of Directors is supported by an Audit, Risk & Compliance Committee operating under written terms of reference approved by the Board. The committee consists of three directors.
- > Meetings are also attended by the Managing Director, Chief Financial Officer and Internal Auditor, by invitation and other representatives of the Company's external auditor and any other Directors as required by the Committee.
- > The terms of reference of the Audit, Risk & Compliance Committee is to review and advise the Board in relation to the operation of financial control and regulatory compliance, the integrity of financial statements and reports, and oversee external financial reporting. It is also responsible for considering the appropriate control policies and procedures needed to adequately manage risks that are identified by the non-board Operational Risk Management Committee. The current terms of reference of this Committee, as approved by the Board, can be found in the Investor Centre on the company's website.
- > The entire Board, in consultation with executive management, is responsible for identifying relevant risks and notifying the Audit, Risk & Compliance Committee. The committee can then consider the appropriate control policies and procedures needed to adequately manage such risks.

5. Audit process

- > The Company's financial accounts are subject to an annual audit by an external auditor, who also reviews the group's half yearly financial statements. The Audit, Risk & Compliance Committee oversees this process.
- > The auditors attend board meetings at which annual and half yearly accounts are adopted. The Committee Chairman meets our audit partner periodically, and the auditors have a standing invitation to meet with the Committee, with the Committee Chairman, or the Company Chairman at any time in the absence of management.

6. Auditor independence

- > The Audit, Risk & Compliance Committee is responsible for ensuring the independence of the Auditor and approves non-audit services and activities in advance of engagement to ensure the independence of the Auditor.

7. Remuneration Committee

- > The Board has established a Remuneration Committee whose charter is to consider remuneration policies and practices generally, and specifically determines remuneration packages and other terms of employment for Managing Director and senior executives. The committee consists of three directors.
- > Remuneration packages will be reviewed at least annually, having regard to performance, and relevant comparative information. The committee will report to the Board and advise the Managing Director on conditions and issues relevant to the extent of salary adjustments across the group in the annual review.
- > The Committee is also responsible for reporting to the Board on the operation of the Employee Share Plans.

8. Managing Director

- > The Managing Director is selected by the Board and is subject to at least annual performance reviews by the Board. The Managing Director, together with his senior management team, recommends policy and strategic direction and submits plans to achieve the same for Board approval. The Managing Director has responsibility for managing day to day operations.

9. Board appraisal and remuneration

- > The Board reviews and evaluates the performance of the Board, collectively and individually on an annual basis. The Chairman also meets informally with each director to discuss individual Board member performance.
- > The Board determines the recommended remuneration for Non-Executive Directors with the total amount approved by shareholders. The Executive Directors receive a salary loading while they serve on the Board.

10. Directors' arrangements with the Company

- > The Constitution provides that a Director may enter into an arrangement with the Company or with any controlled entity. Directors or their firms may act in a professional capacity for the Company or controlled entities, other than to act as an Auditor of the Company. These arrangements are subject to the restrictions of the Corporations Act. Disclosure of related party transactions is set out in a Note to the financial statements each year.

- > If a potential conflict of interest arises, the Director concerned will abstain from discussion (unless requested) and voting, or withdraw from the Board Meeting whilst such matters are considered, as may be appropriate.

11. Directors' independent advice

- > The Directors, the Board and the Board Committees are empowered to seek external professional advice, as considered necessary, at the Company's expense, subject to prior consultation with the Chairman. Any advice so received will be made available to all Directors.

12. Ethical standards

- > The Board expects Directors and employees to observe high standards of behaviour and business ethics. All Directors, executives and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Company. The Company has adopted a statement of values and these are made available to all staff.

13. Sales / purchase of securities

- > The Company has introduced a policy in regard to the sale or purchase of securities by directors and senior executives. Directors and senior executives wishing to trade in the Company's securities must apply to the Chairman for a "No Objection Notice".
- > A person in possession of „inside information" should not trade in the Company's securities. Inside information can be defined as information that is not generally available which, if the information were generally available, a reasonable person would expect to have a material effect on the price or value of the securities in the Company.
- > The Corporations Law provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities of a body corporate if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to subscribe for, buy or sell the securities.

14. Shareholder Relations

- > Shareholder Relations are an integral part of Corporate Governance and the Board strives to ensure that shareholders are kept informed of all major developments that impact on the Company through:
 - The Annual Review and Financial Report
 - Disclosures to the Australian Securities Exchange
 - Notices of meetings and other explanatory material sent to shareholders in connection with general meetings of shareholders

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- The Company Newsletter, and
 - The website on **www.cardno.com.au**
- > Shareholders are encouraged to participate in the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategies and goals.

15. Continuous disclosure

- > The Company has a rigorous policy in regard to compliance with the continuous disclosure requirements of the ASX Listing Rules.
- > A comprehensive checklist is reviewed at least monthly by the Board to ensure the market is kept informed of price sensitive information.
- > The Company Secretary has been appointed under the ASX Listing Rules as the continuous disclosure officer.