

## DIRECTORS PROTOCOL

### 1. Composition of the Board

The composition of the Slater & Gordon ("S&G") Board is to be determined using the following principles:

- (i) The Board shall comprise at least five directors. This number may be increased where it is felt that additional expertise is required in specific areas or when an outstanding candidate is identified, but will be monitored to ensure that decisions can be made expeditiously and efficiently and in the best interests of the Group as a whole;
- (ii) The Board shall comprise at least one director who is a legal practitioner director;
- (iii) The Chair of the Board is an independent non-executive director;
- (iv) The Managing Director and any other executive directors shall not be eligible to stand for election as Chair of S&G for at least 3 years after retiring or ceasing to be an executive director;
- (v) The Board comprises a minimum of two independent non-executive directors;
- (vi) The Board has enough directors to serve on various committees of the Board without overburdening the directors or making it difficult for them to fully discharge their duties;
- (vii) In 2007, the Board expressed its intention to achieve the goal of a majority of independent non-executive directors within the next 1-2 years. In December 2008, the Board appointed a third independent non-executive director, which achieved parity between executive and independent non-executive directors. The Board is of the view that this is currently the most appropriate composition to enable the Board to fulfil its responsibilities and duties. The Board will review its composition as at 1 July 2009 and intends to move to a majority of independent non-executive directors over time.
- (viii) Best practice recommends that a limit should be placed on the number of other directorships directors may take on and in general terms, it is considered that directors should not take on more than four directorships in ASX listed corporations;
- (ix) Formal letters of appointment for non-executive directors are issued;
- (x) At each Annual General Meeting, one-third of directors (other than the Managing Director) shall retire from office and may stand for re-election;
- (xi) The Board shall comprise directors with a broad range of expertise and significant experience in various fields including finance and financial markets; and
- (xii) Directors are required to seek approval from the Board for any other directorships that may give rise to a potential conflict of interest.

Details of the experience, qualifications, special responsibilities and attendance at meetings of the directors as well as remuneration and related party disclosures will be set out in the Annual Report for the relevant year.

The Board has adopted a policy that, with a phasing in provision dealing with existing directors, the maximum term of appointment of directors to the Board would normally be limited to ten years. Directors will generally not stand for re-election after attaining the age of 70.

While regular use of alternate directors is not envisaged as a feature of the S&G Board, the Board recognises the provision for alternate directors under the Constitution. All alternate director appointments must be approved by a majority of directors.

## 2. Director Independence

The Board regularly assesses the independence of each director. For this purpose an independent director is a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of unfettered and independent judgement.

In assessing whether directors are independent, the Board takes into account the matters set out in the ASX Corporate Governance Council Best Practice Recommendations. Whilst the Board has not set materiality thresholds, it will consider all relationships on a case by case basis, and as a general policy guide to materiality, would consider a threshold of 5% of net profit after tax of the Company to be relevant in determining materiality.

Directors are considered independent if they:

- (i) Have not been employed in an executive capacity by S&G for last 3 years;
- (ii) Do not have relationships as professional advisers or significant contracts with S&G (nor had any for the last 3 years) which resulted in a material payment or financial benefits being paid to them by the Company;
- (iii) Have not served on the Board for a period which could or could reasonably be perceived to materially interfere with his or her ability to act in the best interests of S&G;
- (iv) Are not a substantial shareholder of S&G or an associate or officer of a substantial shareholder of S&G; and
- (v) Have no interest or relationship which might materially interfere with their ability to act in the best interests of S&G.

Irrespective of the determination of independence, directors must strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and S&G's policies.

## 3. Responsibilities of the Board

The powers and duties of directors are set out in the Constitution and at law. Under the Corporations Act the Board is responsible for the overall management of the Group with the aim of increasing shareholder value.

The directors are to use their best efforts to ensure the Group is properly managed and constantly improved so as to protect and enhance shareholder wealth and to meet the Group's obligations to all parties with which it interacts – its stakeholders. In particular the Board will monitor the implementation of appropriate management systems to ensure legal practitioner directors and all lawyers employed by the Company comply with the letter and spirit of the legislative provisions, regulations and rules of conduct which apply in the State or Territory concerned.

To discharge these responsibilities and to facilitate its ongoing oversight of the Group, the Board has agreed its role includes, but is not limited to:

- (i) *Performance monitoring*: Overseeing the conduct and performance of the Group, its divisions and subsidiaries to ensure they are being properly and appropriately managed. To discharge this duty the Board will give specific and regular attention to monitoring performance against the strategic and business plans.
- (ii) *Financial oversight and reporting*: Overseeing all aspects of the Group's financial position and approving the financial reports of the Group.
- (iii) *Strategic planning*: Approving the strategic planning process and timetable, adopting the business plan including operating budgets, capital budgets, performance indicators and approval of variations thereto.

- (iv) *Business planning:* Approving the business planning process and timetable, adopting the business plan including operation budgets, capital budgets, performance indicators and approval of variations thereto.
- (v) *Managing Director performance and development:* The appointment, regular performance assessment, remuneration, succession planning and, should it be necessary, the dismissal of the Managing Director, Chief Financial Officer and Chief Operating Officer.
- (vi) *Senior management performance and development:* Ensuring an appropriate process is in place to recruit, review the performance, remuneration, train and develop senior management and to provide for management succession.
- (vii) *Executive compensation:* Reviewing and approving the compensation and incentive reward schemes in place for the Managing Director and senior management to ensure they are appropriate and competitive in both structure and quantum.
- (viii) *Risk Management:* Approving and overseeing the Group's corporate risk management framework, assessing its effectiveness, understanding and reviewing the major/significant risks facing the Group and monitoring their management.
- (ix) *Internal controls:* Overseeing, reviewing and monitoring the operations, adequacy and effectiveness of the Group's reporting systems and the overall framework of internal controls established by the Managing Director including operations, accounting and financial reporting control.
- (x) *Legal compliance:* Overseeing, reviewing and monitoring the operation of the Groups programs, policies and procedures to ensure compliance with major, relevant legislation. Specific attention is to be given to the trade practices, occupational health and safety and environmental compliance programs.
- (xi) *Delegations of authority:* Reviewing, approving and, where appropriate revising the delegations of authority from the Board to the Managing Director and significant delegations from the Managing Director to senior management. The Board notes that these delegations must be clearly defined and be sufficient to empower the Managing Director and the senior management team in the day to day management of the Group.
- (xii) *Governance matters:* Attending to corporate governance matters including the identification and nomination to the shareholders of new directors to fill Board vacancies and to any other matters identified as reserved to the Board.
- (xiii) *Stakeholder liaison:* Appropriately involving itself in the Group's liaison and communication with key stakeholders including the discharge of the Group's continuous disclosure obligations.

#### **4. Role of the Chair**

The Chair has a major role as the head of the Board of Directors in providing leadership of the Board and leadership in the strategic direction of S&G, more particularly:

- (i) Leading and facilitating the Board and the contribution of directors to the Board's decision-making process;
- (ii) Maintaining a professional working relationship with the Managing Director;
- (iii) Acting as spokesperson and communicating and consulting with shareholders and relevant stakeholders on significant issues, as appropriate;
- (iv) Setting the agendas for each Board meeting, taking into account suggestions from other directors and endeavouring to ensure meetings are effectively conducted; and
- (v) Maintaining ethical standards based on agreed S&G values.

#### **5. Relationship between the Board and Management**

The Board delegates responsibility for the operation and management of S&G's business to the Managing Director and the management team. This delegation of authority includes responsibility for:

- (i) Developing business plans, budgets and strategies for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- (ii) Operating the Group's business within the parameters set by the Board from time to time and keeping the Board informed of material developments in the business;
- (iii) Identifying and managing operational risks and, where those risks could have a material impact on S&G's business, and in particular with respect to its performance, financial condition, operating results and prospects, to position the Board to fulfil its governance responsibilities;
- (iv) Ensuring that the Board is provided with sufficient information on a timely basis in regard to S&G's business, and in particular with respect to S&G's performance, financial condition, operating results and prospects, to position the Board to fulfil its governance responsibilities; and
- (v) Implementing the policies, processes and codes of conduct approved by the Board.

Management are accountable to the Board and are to fulfil this responsibility through the provision of reports, briefings and presentations on a regular basis throughout the year. The Board will adopt appropriate structures and procedures to ensure it retains its independence and functions independently of management.

Directors, acting in their capacity as directors, may communicate directly with members of the senior management team at any time. All communication between directors and other staff of the Group or where directors are acting in a capacity other than as a director of the Group, between directors and members of the senior management team, will be co-ordinated through the office of the Managing Director.

## 6. Board Committees

The Board may from time to time establish appropriate committees to assist it in the discharge of its responsibilities. Current Board committees are:

1. Audit, Compliance and Risk Management; and
2. Nomination and Remuneration.

Each formally constituted Committee has a written charter, approved by the Board.

## 7. Directors' Code of Conduct

In accordance with legal requirements and agreed ethical standards, S&G directors will:

- (i) Owe a fiduciary duty to S&G as a whole;
- (ii) Use the powers of the office for a proper purpose;
- (iii) Discharge their duties in good faith and honesty;
- (iv) Act with the level of skill, care and diligence expected of a director of a major company;
- (v) Demonstrate commercial reasonableness in their decisions;
- (vi) Act for the benefit of all stakeholders;
- (vii) Not make improper use of information gained through their position as a director;
- (viii) Not take improper advantage of the position of director;
- (ix) Not allow personal interests or the interest of any associated person to conflict with the interests of the Group;
- (x) Make reasonable inquiries to ensure that the Group is operating efficiently, effectively and legally towards achieving its goals;
- (xi) Undertake diligent analysis of all proposals placed before the Board;
- (xii) Not engage in conduct likely to bring discredit upon the Group; and
- (xiii) Comply with the spirit, as well as the letter, of the law and with the principles of this charter.

## **8. Expectations of Directors in Board Process**

A director shall, in good faith, behave in a manner that is consistent with generally accepted procedures for the conduct of meetings at all meetings of the Board. This will include but not be limited to:

- (i) Acting in a businesslike manner;
- (ii) Acting in accordance with the constitution;
- (iii) Addressing issues in a confident and firm, yet friendly manner;
- (iv) Using common sense and tact when discussing issues;
- (v) Ensuring others are given a reasonable opportunity to put forward their views; and
- (vi) Being particularly sensitive in interpreting any request or indication from the Chair that aims to ensure the orderly and good-spirited conduct of the meeting.

Directors are expected to be forthright in Board meetings and have a duty to question, request information, raise any issue, fully canvass all aspects of any issue confronting the Group and cast their vote on any resolution according to their own decision. Outside the boardroom, however, directors will support the spirit and letter of the Board decisions in discussions with suppliers, clients, bankers, staff and other parties.

Directors will keep confidential all Board discussions and deliberations. Similarly, all confidential information received by a director in the course of the exercise of the director's duties remains the property of S&G. It is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law.

## **9. Familiarity and Capacity to Oversee Corporate Operations**

Directors should ensure that they are independently familiar with S&G's operations and do not rely exclusively on information provided to them by executive management and their advisers.

Each director should be able and prepared to devote sufficient time and effort to their duties as a director of S&G. Directors should inform the Board of their external commitments which may impact on their capacity to properly fulfil Board responsibilities. This includes full and part-time employment or other directorships that they may hold on for profit and not for profit organisations. The Board may then assess these external commitments in consultation with the director and form an opinion in relation to his/he capacity to fulfil his/her obligations as a director of S&G. In general terms, it would be prudent if a director did not hold more than four directorships in ASX listed corporations.

The Board does not believe that directors should expect to be renominated automatically until they reach the mandatory retirement age. The Board self-evaluation process will be an important determinant for Board tenure.

## **10. Conflict of Interest and Related Party Transactions**

Directors must:

- (i) Disclose to the Board actual or potential conflicts of interest which may exist or might reasonably be thought to exist between the interests of the director or the director's seconded personnel and the interests of any other parties in carrying out the activities of S&G; and
- (ii) At the request of the Board within 7 days of such further period as may be allowed, take such steps as are necessary and reasonable to remove any conflict of interest referred to above.

If a director cannot, or is unwilling to remove a conflict of interest as required, then a director must absent himself or herself from the room when discussing matters to which the conflict related. This entry and exit will be minuted. If a significant conflict cannot be resolved and is recurrent, the director should resign. Directors will indicate to the Chair any potential conflict of interest situation as soon as it arises.

The same requirement will exist for related party transactions. Related party transactions include any financial transaction between a director and S&G and will be reported in writing to each Board meeting. The Company Secretary will maintain a register of related parties.

These requirements will also apply to all senior officers of the Group.

## **10. Dealing in S&G Shares**

The restrictions imposed by law on dealings by directors in the shares of S&G have been supplemented by the Board of Directors adopting guidelines which further limit any such dealings by directors, their spouses, any dependent child, family company and family trust.

In addition to the requirement that directors not deal in the shares of S&G or any related company when they have or may be perceived as having relevant unpublished price sensitive information, directors are not permitted to deal within certain periods as defined in the Share Trading policy. Further, the guidelines require that directors not deal on the basis of considerations of a short-term nature or to the extent of trading in those securities. Similar restrictions apply to all senior employees of S&G.

## **11. Conduct of Meetings**

The Chair will chair Board meetings and will determine the degree of formality required at each meeting while maintaining the decorum of such meetings. As such, the Chair will:

- (i) Ensure that all members are reasonably heard;
- (ii) Retain sufficient control to ensure that the authority of the chair is recognised – this may require a degree of formality to be introduced when it is required to make progress;
- (iii) Take care that decisions are properly understood and well recorded; and
- (iv) Ensure that decisions and debate are completed with formal resolution recording the conclusions reached.

## **12. Service/Advice/Contacts**

It is recognised that a key component of directorial duties is providing a sounding board for Managing Director ideas and challenges.

In recognition that the Managing Director Board relationship is critical to effective corporate governance, directors of S&G should provide frank and honest advice to the Managing Director. Similarly, all advice should be constructive in nature and be provided in a positive manner. Where appropriate, directors should recommend possible alternative advisers if they do not feel adequately trained to assist.

S&G directors are also expected, where appropriate, to employ business contacts in furthering the interests of the Group. Similarly, directors are expected to actively promote S&G in external interactions.

### **13. Director Protection**

As a general rule, a director has two key areas of protection – the right to information and the ability to insure against specific risks of being a director. Therefore, as a matter of policy the following measures of Board member protections will apply. Directors will adhere to the following protocol when seeking information:

- (i) Approach the Managing Director to request the required data;
- (ii) If the data is not forthcoming, approach the Chair;
- (iii) If a resolution is still not forthcoming, write to all Board members and the Managing Director detailing the information required, the purpose of the information, and whom the director intends to approach in order to obtain the information; and
- (iv) As at last resort, employ the provisions of the Corporations Act.

The complete set of Board papers held by the Company Secretary is held on behalf of each director (individually) for a period of at least 7 years. Directors are entitled to access the papers for the period when they were a director on request, even if they have ceased to be directors.

All documentation containing or seeking legal advice will clearly state that the legal advice is sought both in relation to S&G and to the directors in their personal capacity. Additionally, S&G had executed deeds of access in favour of each director individually.

S&G will, upon request, provide each director with a copy of the Directors' and Officers ("D&O") policy and any changes to that policy. S&G will maintain each Director's D&O insurance for 7 years from the date at which they ceased to be a director.

### **14. Director Education**

S&G is to educate the directors about the nature of the business, current issues, the corporate strategy and the expectations of S&G concerning performance of directors. Directors of S&G also have the opportunity (and are encouraged) to visit the offices of S&G and meet with management to gain a better understanding of business practices. Directors are to participate in an induction programme upon appointment and are updated on a regular basis.

### **15. Access to Independent Professional Advice and Information**

For the purposes of proper performance of their duties, directors, the Board and the Board Committees may seek independent professional advice, as considered necessary, at S&G's expense, subject to prior consultation with the Chairn. If appropriate, any advice so received will be made available to all directors. Such approval is not to be unreasonably withheld.

### **16. Director Remuneration**

By serving on the Board of a publicly listed entity, S&G directors assume significant responsibility. S&G offers its non-executive directors a competitive package which is reviewed by the Remuneration & Nomination Committee.

Each director is reimbursed for usual and ordinary expenses incurred in connection with the Board service and meeting attendance. Directors who are employees of S&G receive no compensation (other than reimbursement of usual and ordinary expenses of meeting attendance) for serving as directors.

Fees for non-executive directors are based on the nature of their work and their responsibilities. In determining the level of fees, survey data on comparable companies is considered in detail and external consultants are engaged to assist.

Details of the remuneration of directors and key senior executives are set out in the Annual Report.

## **17. Director Development**

In order to continually improve Board performance, all directors are encouraged to undergo continual professional development. Specifically, where skill gaps are identified, directors will be provided with resources and training to address them. Directors are also encouraged to undertake self-development where appropriate. A budget for director development activities is included in the management budget. Directors who wish to undertake a development activity at S&G expense should approach the Chair.

## **18. Evaluation**

As a matter of principle, the Board is committed to the ongoing development of both individual directors and the Board as a whole. Each year the Board will conduct an evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to S&G. Such a review can be:

- (i) Qualitative, quantitative or a mixture of both;
- (ii) Formal or informal;
- (iii) Concentrated on reviewing the Board as a whole or directors individually;
- (iv) Self-administered, administered by the Chair/fellow directors or administered by an independent expert; or
- (v) Focused internally on the directors or involve the wider body of corporate stakeholders including but not limited to customers, suppliers, employees and the community.

The reviews will be undertaken in the second half of the calendar year and the findings of the review will be tabled at the first meeting after the review. The Chair shall action this evaluation, obtaining any assistance required.

The Board will also conduct or facilitate the conduct of formal annual reviews of the internal guidelines relating to corporate governance, Board operation and membership and committee structures. This process ensures not only that the functions of Board and management are clearly defined and understood but also that S&G's Board procedures are continually reviewed and the highest standards of Board performance are maintained.

The Board will ensure the establishment of a framework for management including a system of internal control, a business risk management process and the establishment of appropriate ethical standards. The philosophy of the Board in regard to corporate governance is in accordance with the philosophy set down by the constitution of S&G and the Corporations Act 2001.

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all error and irregularities. The system is based upon written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility, a program of internal audit (via the compliance plan requirements) and the careful selection and training of qualified personnel.