

## REPOSITION CHECKPOINT REPORT - 'ASX Corporate Governance Principle 3 & Performance'

### Characteristics of an Organisation that "actively promotes ethical & responsible decision making".

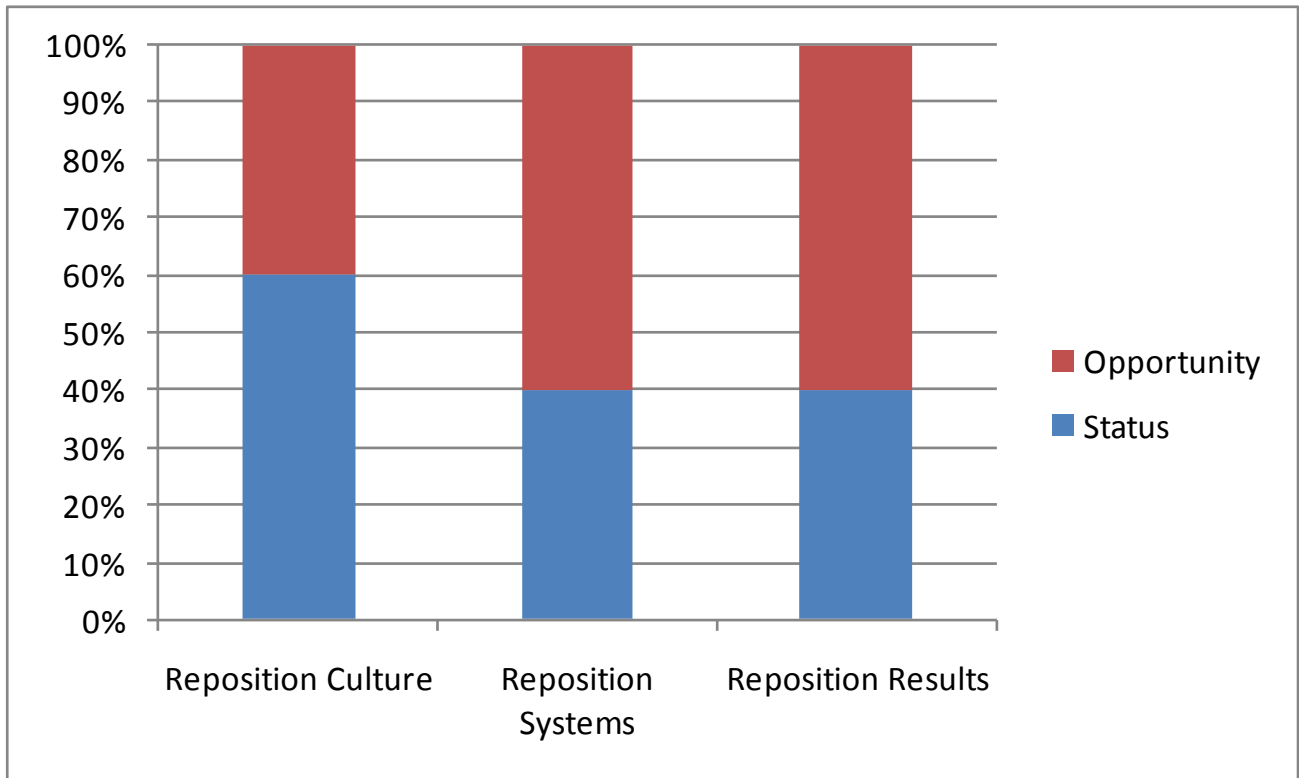
An organisation that "actively promotes ethical and responsible decision making" evidences the following:

**Reposition Culture** - Employees trust the character and the competence of the organisation's leadership. Executives and the board take character as seriously as they do competence and this come through in the way the organisation conducts their business, and in the manner in which the organisation relates to employees, suppliers, customers, and investors. There is a real sense that the organisation is a trustworthy organisation that runs a good business. There is a history of leadership sharing in the downside of the business and in the upside. The track record for the organisation is likely to be one of protracted successful business performance but also one where the organisation has sought to do 'the right thing' even when it has cost the organisation. There is a strong emphasis on being responsible, reliable, and dependable. People are made accountable for making good business decisions within their sphere of influence whilst also being accountable for acting ethically. The ethical emphasis is far more about doing what is right than about compliance. Part of the company brand is the association of the company with business operations that are sound, proper, and profitable. The organisation is seen to be a long-term player where stakeholders are confident about future performance. There appears to be limited risk of failure or of reckless executive decisions.

**Reposition Systems** - The organisation has a robust framework that promotes ethical and responsible decision making. Ethics and character are taken very seriously during selection of employees and procurement of vendors. The processes are aligned to this emphasis. Induction programs and ethics programs ensure that employees and suppliers are continually reminded of what comprises ethical and responsible decision making at each and every level of the organisation. Offers to customers are unusually clear and straightforward and can be executed as promised. The sales effort is businesslike and efficient and is respected by customers. The framework surrounding sales and operations contributes greatly to a situation where sales and operations are recognised as reliable, dependable, and trustworthy. This promotes internal collaboration and customer confidence. There is very little ambiguity in what the company offers, at what prices, and how the offering is fulfilled.

**Reposition Results Orientation** - The ethical tone of the organisation is monitored and progress is required. The executive are actively involved in setting the standards for responsible decision making. Fraud levels are comparatively low and productivity high, directly linked to high levels of employee engagement. Employees are committed to the business goals and to achieving these goals with proper business conduct. This twin emphasis on achievement and on doing things the right way is evident in the composition of the performance indicators and also in the reward and recognition programs. Customers are confident in the current and future performance of the business and in the manner in which the company conducts its business. Suppliers and investors express similar confidence in the organisation. Customer loyalty is high and employee turnover is fairly low. The key performance indicators consider all aspects of performance including ethics.

### SAMPLE REPORT – ASXCG PRINCIPLE 3 & PERFORMANCE - REPOSITION CHECKPOINT



There is a significant opportunity to enhance performance by strengthening the extent to which the directors and the executive and management “actively promote ethical and responsible decision making.

## Reposition Status – ASX Corporate Governance Principle 3 & Performance

### Reposition 'Culture' - Status

<p>A mid zone with a medium level of employee engagement and a medium level of seriousness about ethics and responsible decision making. Employees are not fully confident about management's commitment to the same. There is a level of employee scepticism with the concern that an ethics emphasis by management may be self-seeking. This lack of trust and confidence continues to restrict productivity and performance, whilst contributing to absenteeism and distraction. In difficult times still likely to find executive actions at odds with the difficulties being experience by all, with the tendency to not share in the pain of the downward trend, whilst fully participating when things go upwards.</p>	1	40 to 60
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### Reposition 'Systems' – Status

<p>Whilst ethics gets some attention, there is very limited inclusion of an ethics emphasis in the organisation's processes and systems. At the recruitment phase and at the vendor selection phase the selection processes emphasise experience and competence with little reference to ethical and responsible decision making. Similarly the processes and systems to measure performance and the appraisal system highlights performance with no attention to how results have been achieved. The code of conduct is referred to at the point of employment but it does not find its way into an ongoing program to drive ethical and responsible decision making. At an executive and board level the agendas for meetings give attention to reviewing instances of non-conformance but without including agenda items that focus on building the ethics framework. Sales offerings often lack clarity or have an element of exaggeration in them. Accordingly the offerings are often not executed as promised which leads to internal conflict with reduced customer confidence. Customer loyalty is negatively impacted.</p>	2	20 to 40
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### Reposition 'Results Orientation' – Status

<p>Absenteeism and employee engagement and productivity are on the wrong side of the industry norm. The organisation has reduced the incidences of non-conformance through better prevention and detection measures, but little has been done to build a positive framework for sound and proper decision making. There is a level of mistrust between employees and the executives and directors such that business goals are perceived as having a manipulative element to them. Employees consider executives to require one level of ethics from employees whilst they hold to a different standard for themselves. There is a lack of relevant goals.</p>	3	20 to 40
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## Reposition Opportunity | Initiatives – ASX Corporate Governance Principle 3 & Performance

### Reposition ‘Culture’ – Opportunity | Initiatives

<p>This is a mid zone. The onus is on the board and on leadership to go beyond stated values and a code of conduct and to lead by demonstrated example. It is important to give specific attention to actively promoting ethical and responsible decision making at board level and at the executive level. As business performance receives attention so the way business is conducted must get equal attention. Ethics and sensible business decision making needs to be taken beyond documents and to be build into the company wide management systems. Get a grip on the link between trust and engagement and performance and ensure leadership build trust based on demonstrated example. Confirm direction, align the organisation, and build engagement. Recognise and support actions that are ethical and responsible and address situations where actions are inconsistent with the same. Be serious about the direction and be serious about alignment and the need for employees to be engaged.</p>	1	40 to 60
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### Reposition ‘Systems’ – Opportunity | Initiatives

<p>The need is to establish a robust framework that defines and drives ethical and responsible decision making throughout the organisation and at every point of contact that the organisation has with external stakeholders. The framework consists of a review of all the organisation's systems and processes to ensure each system and the associated processes drive ethical and responsible decision making for the multitude of decisions that are necessary for the effective functioning of the business. An effective framework includes but is not limited to: an ethical program that is relevant to that specific business and that repeatedly impacts all employees and vendors; employee selection and vendor selection processes that focus on character in addition to competence; a performance management process that ensures the incidence of unethical and irresponsible decision making is minimised and that the opposite is maximised; ethical performance as a standard agenda item for board meetings and executive meetings; business development processes that ensure offers to customers can be delivered; incentive systems that do not prejudice any stakeholder by promoting unethical and irresponsible decisions and actions. The underlying direction is to establish an organisational framework where the company wide systems and processes drive ethical and responsible decision making.</p>	2	20 to 40
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### Reposition ‘Results Orientation’ – Opportunity | Initiatives

<p>Create 'trust' objectives with regard to workers trust of the organisation and leadership. Establish reliable ways of measuring this trust and set demanding goals and report against these. Take bad news on the chin and take sensible steps to address low ratings. Set step-change goals for absenteeism, productivity, fraud rates, employee engagement, and ethical performance. Ensure an ethical tone performance report is an agenda item at board meetings and at executive meetings. Include a similar focus on ethical performance on the agenda for functional and departmental meetings. Make the business judgement and ethics measures relevant for each department or function and relevant for their specific contribution.</p>	3	20 to 40
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