

CORPORATE GOVERNANCE STATEMENT

TELETHON INSTITUTE FOR CHILD HEALTH RESEARCH

INTRODUCTION

Telethon Institute for Child Health Research ("**Institute**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance.

This statement outlines the main Corporate Governance practices that are in place throughout the financial year. The Institute has also posted copies of its corporate governance practices on its website at www.ichr.uwa.edu.au.

1. THE BOARD OF DIRECTORS AND ITS COMMITTEES

It is the role of the Board to protect and enhance the long term value of the Institute to stakeholders. The Board monitors strategic direction and establishes goals for management. It then monitors the achievement of these goals.

1.1 Board Processes

The Board has adopted a formal Charter to assist in fulfilling its responsibilities. A copy of the Board's Charter is located on the Institute's website at www.ichr.uwa.edu.au. The Board also has formal letters of appointment for the Board and senior executives and formal job descriptions for senior executives.

The Board has established a number of Board Committees including:

- Appointment and Promotion Committee
- Scientific Advisory Committee
- Development Committee
- Capital Fund Committee
- Finance and Corporate Governance Committee
- Building Artworks Committee
- Intellectual Property Commercialisation Committee

These Committees all have Charters which are reviewed on a regular basis and the effectiveness of each committee is monitored by the Board.

The Board currently holds approximately ten meetings per year and others as necessary to address any specific significant matters that arise.

1.2 Appointment of Directors

The composition of the Board is reviewed annually by the Finance and Corporate Governance Committee to ensure that the Board has the appropriate mix of expertise and experience. When an appointment is required to fill a vacancy or to provide a skill set required by the Board, the Finance and Corporate Governance Committee will make recommendations to the Board. The Board will consider the recommendation and appoint the most suitable candidate, who must then stand for re-election at the next annual general meeting of shareholders.

On appointment, the non-executive director is provided with a letter of appointment setting out the terms and conditions of appointment and retirement as well as a copy of the Corporate Governance Manual.

The letter of appointment covers:

- membership of Committees;
- expenses covered by the Institute;
- Director's and Officer's liability insurance;
- induction;
- further education;
- independent professional advice; and
- confidentiality;

and refers directors to information regarding:

- role description; and
- duties.

1.3 Conflict of Interest

Directors must advise the Board, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the Board believes that a significant conflict exists, the director concerned will not receive the relevant board papers and will not be present for consideration of that item at the meeting. There are procedures in place to assist directors to disclose potential conflicts of interest.

1.4 Independent Professional Advice

Directors have the right to access to all relevant Institute information and to the Institute's executives. Directors also have the right to seek independent professional advice at the Company's expense as long as they first obtain the prior approval of the Chairman, which is not unreasonably withheld. A copy of

advice received by the director may be made available to other members of the Board.

2. APPOINTMENT AND PROMOTION COMMITTEE

The Appointments and Promotions Committee provides the Board and the Scientific Director with recommendations on policies, processes and issues relating to the appointment, promotion and development of senior staff. Senior staff include NHMRC Research Fellow or equivalent and above for Scientific staff, and, ICHR Level 8 and above for Administrative staff. The Committee reviews and makes recommendations on individual appointments and promotions.

The Committee will also consider other employment issues pertaining to individual cases where it is deemed there could be significant implications for the Institute.

The responsibilities of the Committee are to:

- (a) formulate and make recommendations on policies, processes and issues relating to the appointment, promotion and development of senior staff;
- (b) identify senior staff for promotion and development;
- (c) evaluate staff under consideration for senior positions based on value to the Institute;
- (d) determine a process for appointment, promotion and development of junior staff;
- (e) review and make recommendations on senior staff remuneration;
- (f) determine appointment, tenure, financial and accommodation arrangements prior to an offer of appointment or promotion being made;
- (g) review the Institute's strategic plans with reference to relevant areas of research and succession planning; and
- (h) provide the Board and the Scientific Director with relevant information on initiatives regarding recruitment of senior staff;

3. SCIENTIFIC ADVISORY COMMITTEE

The Committee advises the Board on the strategic scientific and research direction of the Institute and overviews the quinquennial reviews of the Institute's research performance and direction. It also ensures compliance with the requirements of the National Health and Medical Research Council ("**NHMRC**") with regard to accredited medical research institutes.

The specific responsibilities of the Committee are to:

- (a) provide advice to the Board on the strategic scientific and research direction of the Institute's services in line with the following aims:
 - (i) to conduct high quality research;
 - (ii) to apply research findings to improve the health of children, adolescents and families;
 - (iii) to teach the next generation of health researchers;
 - (iv) to be an advocate for research and for children;
- (b) overview quinquennial reviews of the Institute's research performance and direction; and
- (c) ensure that the activities of the Institute continue to satisfy the requirements of relevant external bodies such as the National Health and Medical Research Council.

4. DEVELOPMENT COMMITTEE

The role of the Committee is to advise and report to the Board on matters mainly relating to fundraising activities, but may also include media and public relations activities. It does this by providing independent input in relation to business plans drawn up by the Public Relations Office.

Although the Public Relations Office has the power to make and implement decisions, the Development Committee plays an important role in providing a 'big picture' review of courses of action as proposed by the Public Relations Office. It does this by considering proposals in light of fundraising strategies, how the advice would be implemented and the associated risks.

The specific responsibilities of the Committee are to make recommendations in relation to:

- fundraising strategies;
- current marketing strategies and set directions for future marketing;
- how the Institute will implement business plans and prioritise strategies within those plans; and
- actions proposed by the Public Relations Office and risks associated with a particular course of action.

5. CAPITAL FUND COMMITTEE

The role of the Committee is to advise the Board in relation to maintaining and extending the invested funds of the Institute, to provide for its long-term financial viability. The Committee advises on the establishment of a

permanent capital base, the interest from which will generate recurrent income to meet expenses in equipping and maintaining laboratories, administering the Institute and supporting research activities.

In its stewardship of the Institute's financial assets, the Committee aims to ensure that any assets not required for the current operating budget will be invested for the benefit of the Institute. The fund will complement the other sources of infrastructure funding in providing the annual research support/infrastructure requirements for the Institute.

An independent investment adviser is retained by the Institute to provide advice about investment opportunities and maintain a portfolio of investments. The availability of this specialist advice is important to ensure that the maximum benefit is returned for the Institute and its stakeholders.

The specific responsibilities of the Committee are to:

- (a) investigate investment options and make recommendations to the Board consistent with the Institute's objectives;
- (b) retain an independent investment adviser to provide advice about investment opportunities and maintain a portfolio of investments ;
- (c) the Scientific Director and Chief Financial Officer will meet quarterly with the investment adviser to discuss the performance of the investment portfolio and report to the Committee, which will in turn report to the Board;
- (d) receive information about and keep track of the progress of all investments;
- (e) report on the progress of the investments as required to the Board; and
- (f) advise the Board on relevant investment related matters.

6. FINANCE AND CORPORATE GOVERNANCE COMMITTEE

The role of the Committee in relation to finance is to ensure that the Institute operates within a responsible, sustainable financial framework and that the Institute has adequate resources to carry out its work. It does this by overseeing the financial performance of the Institute with regard to all investment streams, as provided by regular reports from Institute's senior management. The Committee oversees the Institute's finances, including approval of the annual budget, review of monthly management accounts and cash flow. It makes recommendations in relation to financial policy and direction to the Board and ensures that financial reporting and audit requirements are met.

The role of the Committee in relation to corporate governance is to assist and advise the Board in relation to monitoring the functioning of the Board, with the objective of ensuring that the Board is fulfilling its responsibilities and optimising the Institute's activities.

The responsibilities of the Committee in relation to finance matters are to:

- (a) Review monthly management accounts;
- (b) Oversee the Institute's annual reporting and internal control requirements;
- (c) Review the appointment of the external auditors;
- (d) Inform the Board of matters which may significantly impact on the financial conditions or affairs of the business;
- (e) Recommend financial policy and direction to the Board; and
- (f) ensure that the Institute meets the financial reporting and audit requirements of the Australian Securities and Investments Commission and to advise the Board accordingly.

The role of the Committee in relation to corporate governance is to assist and advise the Board in relation to:

- (a) Board structure;
- (b) Board assessment;
- (c) Remuneration of the Scientific Director; and
- (d) Consider and implement any other strategies, policies and procedures from time to time as it sees fit to optimise the functioning of the Board.

7. BUILDING ARTWORKS COMMITTEE

The role of the Building Artworks Committee is to establish plans for acquiring suitable artwork, and monitor and review the art collection and artwork display. The Committee ensures artworks are protected, insured and maintained on behalf of donors and lenders.

The specific responsibilities of the Committee are to:

- actively encourage the acquisition of suitable artworks for the Institute;
- regularly review the art collection and artwork display;
- recommend to the Board new acquisition or disposals;
- ensure artworks are protected, insured and maintained on behalf of donors and lenders; and
- liaise with the Finance and Corporate Governance Committee on financial and cost matters.

8. INTELLECTUAL PROPERTY COMMERCIALISATION COMMITTEE

The role of the Committee is to oversee the application of the Institute's Intellectual Property (IP) Policy and provide the Board and the Scientific Director with recommendations on related policies, procedures and issues.

The Committee reviews and monitors the implementation of the Institute's IP Policy and make recommendations to the Board as appropriate regarding advice on IP and commercialisation strategies.

The Institute aims to manage its research in such a way that the benefit to its stakeholders is maximised. Sometimes this will be achieved through commercialisation of research results. Decisions about the terms under which the commercialisation will proceed will be made on a case by case basis.

Commercialisation can at times provide a faster, more sustainable or more practical avenue for making new products, processes and services available, and it allows the Institute to maximise the uptake and benefits flowing from its investments in research. The aim is to make new technologies available to stakeholders as quickly and as cost-effectively as possible.

The specific responsibilities of the Committee are to:

- review and monitor the implementation of the Institute's IP Policy and make recommendations to the Board as appropriate;
- advise and make recommendations to the Board on matters relating to IP;
- review and advise on appropriate IP commercialisation strategies;
- review matters determined by the Board to ensure that proper advice on IP is developed;
- make determinations in accordance with the Institute's IP Policy; and
- advise the Board on actions required to resolve disputes arising from or as to the operation of the IP Policy.

Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Institute will pay the reasonable expenses associated with obtaining such advice.

Quinquennial review including performance Evaluation of the Board and its members

There was no evaluation of the Board and its members during the Reporting Period but the process is scheduled to take place again beginning in November 2006 (as the last quinquennial review was carried out in 2001). The review is extensive and covers all Institute personnel, operations (including scientific), the business plan and strategic alliances.

The process for the scientific review involves:

- scrutinising research programs;
- presenting data and findings;
- examining operational and support infrastructures; and
- assessing future directions for groups within the Institute.

Staff plays a major role and the review process is open to all staff and students. Although the process is demanding, it has in the past been highly rewarding and has affirmed the productivity of the Institute's scientific effort as well as its general impact on the community.

The business plan is comprehensively reviewed to identify areas where effort could be increased, or to make adjustments in response to staff changes and the changing environment in which the Institute operates.

The review will also provide the opportunity to reassess the value of strategic alliances (e.g. university centre agreements with the Institute).