



**This statement is organised under the headings in the ASX Corporate Governance Council's (ASXCGC) 8 Corporate Governance Principles and Recommendations, dated August 2007.**

This statement and the following supporting documents are posted on the Company's website [www.vitagroup.com.au](http://www.vitagroup.com.au).

#### **Board Charter**

- Audit, Compliance & Risk Committee Charter
- Remuneration & Nomination Committee Charter
- Continuous Disclosure Policy
- Share Trading Policy
- Code of Business Practice & Ethics
- Performance Evaluation Process
- Director Selection, Appointment, and Re-election Policy and Procedures
- External Auditor Selection and Rotation of Audit Partner Policy and Procedures
- Shareholder Communication Policy
- Risk Management Policy

The Company complies with all the recommendations set out in the ASXCGC Corporate Governance Principles and Recommendations.

However, it should be noted that a number of tasks relating to the establishment of the risk management and internal control system have been undertaken during this financial year. The system is now in place and responsibilities have been assigned. Risk management is being integrated into the ongoing processes and culture of Vita Group. The system going forward is described below under the heading **Principle 7: Risk Management**.

## PRINCIPLE 1: Lay solid foundations for management and oversight

### Board Charter

The Board has adopted a Board Charter establishing the following:

- Board Responsibilities
- Board Composition
- Policy on Independence
- Policy relating to Meetings
- Board Committees
- Review of Board Effectiveness

The Board Charter is reviewed annually.

The responsibilities and functions reserved to the Board as set out in the Board Charter include:

- approving and monitoring strategies, budgets, and plans
- approving policies and codes of conduct
- reviewing and monitoring systems of risk management, internal control, and regulatory compliance
- approving and monitoring the progress of acquisitions and disposals, or the cessation of any significant asset, business, or function, and reviewing material transactions and changes to organisational structure
- approving annual and half-yearly financial statements, other published financial information, and dividends
- appointing and monitoring the performance of the Chief Executive Officers
- determining the levels of authority to be given to the Chief Executive Officers
- ratifying the appointment of Senior Managers, monitoring their performance, and approving succession plans for the management team
- approving the issue of any securities of the Company.

The day to day management of the Company is delegated to management, including the following:

- financial and capital management and reporting
- operations
- information technology
- marketing
- customer service
- relationships with investors, media, analysts and other industry participants
- human resources
- reporting to the Board on performance

### **Delegated Authorities**

A formal statement of Delegated Authorities, setting out financial and other limits delegated to management, and matters requiring Board approval, has been adopted by the Board.

### **Appointment of Non-Executive Directors**

Letters of appointment are prepared for Non-Executive Directors, covering terms of employment, duties and responsibilities, time commitment expected, and requirements relating to disclosure of interests and trading in the Company's shares. An induction pack is provided at the time of appointment, and new Directors undergo an induction process.

### **Appointment and Evaluation of Senior Managers**

The responsibilities and terms of employment, including termination entitlements, of the Chief Executive Officers, the Chief Financial Officer, and other Senior Managers, are set out in formal employment agreements.

Each Manager is formally inducted on appointment, and has a position description, and a set of Key Performance Objectives (KPOs), with annual goals. Each Managers' performance against his KPOs and goals is formally evaluated twice a year. The evaluation is used in determining future remuneration. The most recent performance evaluation of all Senior Managers in accordance with this process was conducted in July/August 2009.

### PRINCIPLE 2: Structure the Board to add value

The Board Charter sets out the structure of the Board and its committees, the framework for independence, and arrangements for performance evaluation.

The Board comprises three Non-Executive Directors (including the Chairman) and two Executive Directors (the Chief Executive Officers). The names, skills and experience of the Directors in office at the date of this statement, and the period of office of each Director, are set out on pages 3 and 4 in this Annual Report.

### Independence of Directors

The Board distinguishes between the concept of independence, and the issues of conflict of interest or material personal interests which may arise from time to time.

If at any time the Board is required to make a decision on any matter in which a Director has or Directors have an actual or potential conflict of interest or material personal interest, the Board's policies and procedures require that:

- the interest is fully disclosed and the disclosure is recorded in the Board minutes
- the relevant Director is excluded from all considerations of the matter by the Board
- where possible, the relevant Director does not receive any segment of the Board papers or other documents in which there is any reference to the matter.

The determination of independence remains a matter for the Board's judgment in accordance with its policy on independence. Until the Board otherwise resolves, the policy is that a Director will be independent if they are 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 independent exercise of their judgment.

The independence of each Director is assessed regularly, based on the interests disclosed by them. In assessing the independence of Non-Executive Directors, the Board will have regard to whether the Director has any of the following relationships:

- is a substantial shareholder (within the definition of section 9 of the Corporations Act) of Vita Group, or an officer of, or otherwise associated directly with, a substantial shareholder of Vita Group;
- has, within the last 3 years, been employed in an executive capacity by the Vita Group of companies;
- has, within the last 3 years, been directly involved in the provision of advice or consulting services (including audit services) to Vita Group where the average annual amount paid for that advice or services exceeded 5% of the total annual fees earned by that firm or 1% of Vita Group's annual consolidated group revenue;
- is directly involved with a supplier to Vita Group where the average annual amount paid by Vita Group to that supplier exceeds 5% of the annual consolidated group revenue of that supplier or 5% of Vita Group's annual consolidated group revenue;
- is directly involved with a customer of Vita Group where
- the average annual amount paid to Vita Group by that customer exceeds 5% of the annual consolidated group revenue of that customer or 5% of Vita Group's annual consolidated group revenue;

- has a contractual relationship with Vita Group which accounts for more than 10% of his/her annual gross income (other than as a director of Vita Group).

The Board will state its reasons if it considers a Director to be independent notwithstanding the existence of a relationship of the kind referred to above. At this stage none of the Directors considered to be independent has any of the above relationships.

The Board's policy is to have a majority of independent directors to the extent practicable. At this stage, a majority of the Board (3) (Messrs R.A. Simpson and N.A. Osborne, and Ms M.F. Snowden) is considered to be independent.

### Independent Professional Advice

Each Director has the right, at the Company's expense, to seek independent professional advice in relation to the execution of Board responsibilities. Prior notification to the Board is required and where appropriate, Directors are required to share such advice with the Company and the other Directors.

### Directors' Interests

The relevant interests of the Directors in the shares of the Company are set out in the Director's Report on page 5 of this Annual Report.

The Chairman of the Company is an independent Non-Executive Director.

The roles of Chairman and Chief Executive Officer are exercised by separate individuals.

### Remuneration and Nomination Committee

The Company has an established Remuneration and Nomination Committee operating under a written charter approved by the Board and reviewed annually.

The Remuneration and Nomination Committee comprises three independent Non-Executive Directors including the Committee Chairman.

The names and qualifications of members of the Remuneration and Nomination Committee and their attendance at meetings are set out on pages 3 to 5 of this Annual Report. The Chairman and/or any other Director is entitled to be present at all meetings of the Committee, whether or not they are a member of the Committee. Meetings of the Committee are attended, by invitation, by the Chief Executive Officers, the Group Organisation Development Manager, and such other senior staff or professional people as may be appropriate from time to time. The number of meetings of the Committee held during the year is set out on page 5 of this Annual Report.

The Committee regularly reviews the size, composition and effectiveness of the Board. This review includes an assessment of the necessary and desirable skills of Board members, Board succession plans, and consideration of appointments, re-elections and removals. The Committee also reviews the induction procedures for new directors. Evaluation of the Board's performance is carried out by the full Board.

When a Board vacancy occurs, the Remuneration and Nomination Committee identifies the particular skills, experience and expertise

that will complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

In its deliberations, the Remuneration and Nomination Committee is focused on the number and nature of other directorships, and availability of time to commit to the Company's affairs, of all present and potential Directors.

When a Director is due to stand down at the next AGM, particular attention is paid to the Director's performance and contribution, preparation for meetings, and time availability. Prior to the Notice of Meeting for the AGM being sent out, the Remuneration & Nomination Committee reviews the performance of each Director due to stand down, and reviews the mix of skills and experience required by the Board. Each Director involved is asked to formally acknowledge that he/she has sufficient time available to carry out the duties of a Director of Vita Group. If it is considered that a Director due to stand down should be recommended for re-election, a formal recommendation is made by the Committee.

Minutes of all Committee meetings are provided to the Board, and the Chairman of the Committee also reports to the Board after each Committee meeting.

### **Board Performance**

In line with the recommendations of the ASXCGC, the Board conducts evaluations of the Board every year. The Company's Performance Evaluation Process includes the evaluation of the Board, its Committees, and individual Directors. An evaluation of the Board and its Committees was not undertaken during the reporting period due to changes in Board and Committee membership. A performance evaluation of the Board, in accordance with this process, will be undertaken in September 2009. Both Committees of the Board will self-assess their performance against their charter at their last scheduled meeting in calendar 2009.

Directors are provided with comprehensive reports on the operations and financial performance of the Company at each scheduled Board Meeting and are entitled to request and receive further information if they consider such information necessary. All Directors have access to the Company Secretary who coordinates the preparation and despatch of Board Agendas and Board Papers. The appointment and removal of the Company Secretary is a Board responsibility. The Company Secretary attends all Board meetings, and is accountable to the Chief Executive Officers and, through the Chairman, the Board, on all corporate governance matters.

### **PRINCIPLE 3: Ethical and Responsible Decision-making**

#### **Code of Business Practice & Ethics**

The Board has endorsed a Code of Business Practice & Ethics that formalises the obligations and responsibilities of all employees and Directors to act ethically, behave with integrity, avoid conflicts of interest, and obey the law, in all business activities.

The Code provides for employees who become aware of possible breaches of the Code to report this. Such reports are treated confidentially to the extent possible consistent with the Company's obligation to deal with the matter openly and according to applicable laws. No employee will be subject to retaliation or disadvantage by reason of a bona fide report of possible non-compliance, in accordance with the Company's Whistleblower Policy.

Appropriate training programs on the Company's internal policies including Code of Business Practice & Ethics, workplace health and safety, environmental law compliance, and trade practices legislation, support this process.

#### **Trading in Company Securities by Directors, Officers and Employees**

The Board has established written guidelines, set out in its Share Trading Policy, that restrict dealings by Directors and employees in the Company's shares.

The Share Trading Policy identifies certain periods when, in the absence of knowledge of unpublished price-sensitive information, Directors and senior management employees may, with the approval of the Chairman, buy or sell shares in the Company. These periods are the 30 days following the announcement of half year and full year results, and following the Annual General Meeting, or the issue of a Prospectus offering shares in the Company.

The entering into of all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Company's listed securities that are held directly or indirectly by Directors or employees is prohibited at any time. This prohibition extends to vested and unvested shares or options in any share or option plan.

No Director or employee holding, or having an interest in, or having control of through family, associates, colleagues, a private company or a trust, more than 0.5% of the Company's listed securities, is permitted to enter into 'margin loan' or similar arrangements in respect of those listed securities. If any Director or employee who holds, or has an interest in, or has control of through family, associates, colleagues, a private company or a trust, any of the Company's listed securities, enters into a 'margin loan, or similar arrangements in respect of those listed securities, he or she must advise the Company of the existence and details of the arrangement.

Directors, senior managers, and employees having regular access to confidential information are required annually to sign a statement confirming that they have complied with the provisions of the Share Trading Policy.

### **PRINCIPLE 4: Integrity in Financial Reporting**

#### **Audit, Compliance and Risk Committee**

The Company has an established Audit, Compliance and Risk Committee operating under a written charter approved by the Board and reviewed annually.

The Audit, Compliance and Risk Committee comprises three independent Non-Executive Directors including the Chairman who is not also Chairman of the Board. This complies with the ASXCGC Recommendations as well as ASX Listing Rule 12.7.

The names and qualifications of members of the Audit, Compliance and Risk Committee and their attendance at meetings are set out on pages 3 to 5 of this Annual Report. The Chairman and/or any other Director is entitled to be present at all meetings of the Committee, whether or not they are a member of the Committee. Meetings of the Committee are attended, by invitation, by the Chief Executive Officers, the Chief Finance Officer, the engagement partner from the Company's external auditor, and such other senior staff or professional people as may be appropriate from time to time. The number of meetings of the Committee held during the year is set out on page 5 of this Annual Report.

The Committee assists the Board in fulfilling its responsibility to verify and safeguard the integrity of the Company's financial reporting, oversees and appraises the audits conducted by the Company's external auditors, monitors the adequacy of external reports for Shareholder needs, reviews the effectiveness of the Company's internal controls, and reviews the effectiveness of the risk management policies and practices of the Company.

The Committee has unlimited access to the external auditors, and to the senior management of the Company. The Committee may, with authority from the Chairman of the Board, consult with independent experts where they consider such consultation necessary to carry out their duties.

Minutes of all Committee meetings are provided to the Board, and the Chairman of the Committee also reports to the Board after each Committee meeting.

#### **Auditor Appointment**

The Board has established an External Auditor Selection and Rotation of Audit Partner Policy and Procedures, and assesses the performance of the External Auditors annually. The position of External Auditor will be put to tender from time to time. PricewaterhouseCoopers were appointed External Auditors following a tender process in November 2008.

#### **Auditor Independence**

The external auditor, PricewaterhouseCoopers, has declared its independence to the Board. The engagement partner will be rotated every 5 years in accordance with the Corporations Act. The Audit, Compliance and Risk Committee has examined detailed material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues are fully complied with.

**PRINCIPLE 5: Timely and Balanced Disclosure**

The Company has established a Continuous Disclosure Policy for timely disclosure of material information concerning the Company. This Policy includes internal reporting procedures in place to ensure that any material price sensitive information is reported to the Company Secretary, Chief Financial Officer, or Chief Executive Officers, in a timely manner. These policies and procedures are reviewed regularly to ensure that the Company complies with its obligations at law and under the ASX Listing Rules.

The Company Secretary is responsible for communications with the Australian Securities Exchange, including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules, and overseeing information going to the ASX, Shareholders and other interested parties. The matter of continuous disclosure is a permanent item on the agenda for all Board and senior management meetings and is specifically addressed by each Director and manager at those meetings.

**PRINCIPLE 6: Rights of Shareholders**

**Communications Strategy**

The Company has established a Shareholder Communication Policy and aims to keep Shareholders informed of the Company's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- the Annual Report which is posted on the Company's website, and mailed to Shareholders who have specifically requested it;
- the half-year Shareholders' report which is posted on the company's website, containing summarised financial information and a review of the operations during the period since the annual report; and
- other correspondence regarding matters impacting on Shareholders as required.

All half-year and annual reports, and all relevant announcements made to the market, for at least the last three years, are placed in the Investor's section of the Company's website after release to the ASX. Shareholders who have requested notification are notified by email when new announcements are released.

Shareholders are also encouraged to participate in the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategies and goals. The Company provides shareholders with the opportunity to submit written questions that can be dealt with at the meeting or by individual response.

### PRINCIPLE 7: Risk Management

The Board is responsible for overseeing the establishment and implementation by management of risk management systems, and reviewing the effectiveness of these systems. The board has assigned responsibility as follows:

The Audit, Compliance & Risk Committee reviews and reports to the Board in relation to the company's financial reporting, internal control structure, risk management systems, and the internal and external audit functions.

Management is responsible for identifying, managing, and reporting to the Board on risks in accordance with the Risk Management Policy, through a formal organisation-wide risk management framework.

A Risk Management Policy has been established and is reviewed annually by the Board.

A Risk Review of the Company has been completed this year, and material business risks have been documented and evaluated. A Risk Register has been established and the Group Operations Manager is responsible for its maintenance. The responsible manager for each risk has been identified, and is required to report through the management chain to the CEOs and the Audit, Compliance & Risk Committee on the maintenance of mitigating actions and the Residual Risk ranking of each risk within his area of responsibility.

Management of risk mitigation strategies forms part of the Key Performance Objectives (KPOs) of managers at all levels. Performance against KPOs is evaluated six monthly, and is taken into account in any salary movements.

The Company does not have an Internal Audit function, but an Assurance Team, reporting to the CFO, conducts regular audits of each store, and, using a scoring system, provides feedback to the store and to management. Stores with unsatisfactory scores are followed up to ensure they bring their practices and controls up to the required standard. Managers associated with stores whose score is below Company benchmarks forfeit their commissions and bonuses until the required standards are met. Any instances of fraud are followed up by the Assurance Team. Where appropriate, perpetrators are prosecuted, and controls are reviewed to try and prevent future occurrences.

The CEOs report twice a year to the Audit, Compliance & Risk Committee on the status of risks with a high Residual Risk ranking, and on the effectiveness of the management of the Company's material risks. The Chairman of the Audit, Compliance & Risk Committee reports to the Board twice a year on the status of risks with a high Residual Risk ranking, and the status of risk management generally.

### Certification of Risk Management Controls

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer have stated in writing to the Board each reporting period that:

- the reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The statements from the Chief Executive Officer and Chief Financial Officer are based on formal sign off procedures reviewed by the Audit, Compliance & Risk Committee as part of the annual financial reporting process.

### **PRINCIPLE 8: Remuneration**

The Remuneration and Nomination Committee of the Board is responsible for recommending and reviewing remuneration arrangements for the Directors, the Chief Executive Officers, and senior managers. The Remuneration and Nomination Committee assesses the appropriateness of the composition and amount of their remuneration on an annual basis. Where appropriate the Committee considers independent advice on policies and practices to attract, motivate, reward and retain strong performers.

The Committee recommends and reviews the terms and conditions of appointment of Directors, the Chief Executive Officers, and senior managers, and reviews the operation and effectiveness of the Non-Executive Director Share Plan, the Employee Bonus Share Plan, and the Employee Share Option Plan.

The Company's remuneration policy links the nature and amount of the Chief Executive Officers' and senior managers' remuneration to the executives' personal performance, and the Company's long term financial and operational performance.

Non-Executive Directors receive an agreed annual fee, within the limits approved by Shareholders, and do not receive incentive payments or retirements benefits other than superannuation contributions.

Further details on the Remuneration and Nomination Committee are set out in Principle 2 above.

Further details of the remuneration of Non-Executive Directors, Executive Directors, and senior managers are contained in the Company's Remuneration Report on pages 9 to 17 of this Annual Report.

The Company's policy with regard to all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Company's securities that are held directly or indirectly by Directors or employees is referred to under Principle 3 above, and included in the Company's Share Trading Policy.