

Code of Conduct for Directors



NORTH SYDNEY LEAGUES' CLUB LIMITED

ACN 000 147 544

THE FOUNDATION OF THE CODE

Directors have legal obligations and responsibilities to the Club, its members and its creditors. Adoption of a code of conduct for Directors will assist the Directors in understanding their obligations and help to maintain confidence of the Club's members in the management and operation of the Club. This Code refers to only some of the legal duties and obligations of Directors and in a general way.

INTRODUCTION

The Board of Directors of the Club (the "Board") undertakes to support and apply this Code of Conduct for Directors (the "Code") in a manner which encourages the responsible behaviour of Directors and management.

A person who accepts the office of a Director of the Club accepts the responsibilities of reasonable care, honesty, impartiality, confidentiality and loyalty. These responsibilities include acting collectively to manage the business and affairs of the Club.

A person who accepts the office of a Director of the Club also acknowledges that the standard of these responsibilities is no different from the standards expected from a Director of any type of company.

This Code supplements any "*Employee Manual*" or "*Code of Conduct for Management and Employees*" like documents and applies in conjunction with them.

ELECTION OF DIRECTORS

Each nominee for election to the Board will sign a Statutory Declaration to the effect that he or she is aware of his or her responsibilities as a Director under the Corporations Act 2001 (Cth), the Registered Clubs Act 1976 (NSW) and the Gaming Machines Act 2001 (NSW).

Any person should only agree to be nominated for election to the Board if that person is fully aware of his or her duties and responsibilities as a Director of the Club.

The Board will supply a copy of this Code with every nomination form in respect of an election of the Board. A nominee for Directorship of the Club will signify on the nomination form that he or she has read and understood this Code.

LEGAL ENVIRONMENT

Each Director will constantly seek to improve his or her knowledge of the legal environment in which the Club conducts its business. The range of legislation which has an impact on the performance of Directors' duties includes laws relating to corporations, liquor and gaming, anti-discrimination, employment, taxation, environment and trade practices.

In general, because the Club is registered as a company with "limited liability", Directors of the Club who act in good faith and with reasonable care and diligence will not be personally liable for the acts or omissions of the Club, including the acts or omissions of the Board or of an individual Director who acts on the Club's behalf.

However, in some situations (such as insolvency of the Club), Directors may be personally liable for their acts or omissions. An increasing amount of legislation now imposes "offence" provisions on an individual Director as well on as the Club as a whole.

This Code merely serves as a starting point for an individual Director to acquire additional essential knowledge through self-education and attendance at training courses and seminars. Each Director will endeavour to attend appropriate training courses and seminars as may be recommended to the Board by the Chief Executive Officer of the Club.

DUTIES OF DIRECTORS AND ACCOUNTABILITY

This section sets out the key duties of individual Directors. Other more specific duties arise in various specific situations. The Board should seek appropriate professional advice if a situation arises which is not completely addressed in this Code.

A Director's prime duty is to the Club (ie the company). In times of financial difficulty, the Director's prime duty to the Club will be balanced against the Director's duty to the Club's creditors.

A Director owes to the Club duties of honesty, care and diligence, and good faith. These duties are imposed by the Corporations Act. A breach of any of these duties may lead to a Supreme Court action against the Director.

These duties are summarised below:

The duty to act honestly

A Director must at all times act honestly in the exercise of his or her powers and the discharge of his or her duties of office.

The duties of care and diligence

In exercising his or her powers and in the discharge of his or her duties, a Director must exercise a degree of care and diligence that a reasonable person in a like position in the Club would exercise in the Club's circumstances.

The duty not to make improper use of inside information or position

A Director must not make use of information acquired by virtue of his or her position as a Director to gain directly or indirectly an advantage for himself or herself or for any other person or to cause detriment to the Club.

A Director must not reveal the proceedings of meetings of the Board or of Board committees with persons who are not Directors. For example, a Director must not disclose details of competing tenders to a friend who may also be a tenderer for providing services to the Club. To do so will be in clear breach of the Corporations Act.

A Director must not make improper use of his or her position to gain directly or indirectly an advantage for themselves or any other person or to cause detriment to the Club. For example, a Director must not use his or her position to instruct an employee of the Club to act inconsistently with the Club's responsible service of alcohol policy.

The duty to prevent insolvent trading

A Director is under a duty to prevent the Club from trading whilst insolvent (see Section 588G of the Corporations Act).

A Director breaches this duty if the Director fails to prevent the Club incurring debts if there are reasonable grounds for suspecting that the Club may not be able to pay these debts when they fall due. This requires Directors to ensure that there are adequate reporting and supervisory systems in place which facilitate the effective monitoring of the Club's financial position.

If there is the slightest risk that the Club may have difficulty in paying any creditor then Directors should seriously consider obtaining financial, accounting and legal advice as soon as possible.

It is not sufficient for a Director to say that he or she was unaware of relevant facts, matters and circumstances relating to the business and affairs and finances of the Club. A Director is not only entitled to receive all relevant information relating to the Club's finances but if he or she is not getting that information the Director must insist on obtaining the information. Ignorance is not a defence for Directors.

The duty to act in good faith and loyalty

A Director must exercise his or her powers in good faith in what he or she believes is in the best interests of the Club. The receipt of an incidental benefit may be grounds to challenge the good faith of a Director's decision.

The duty to act for a proper purpose

A Director must exercise his or her powers for the purpose for which those powers are expressly or impliedly conferred and not for collateral purposes. Honest behaviour by a Director does not prevent a finding of improper conduct. That is, a director may exercise his or her power for a purpose which the director thinks is proper, but which a Court finds to be improper.

The duty to disclose material personal interests

A Director must not permit a possible or actual conflict of interest to arise between a duty owed to the Club and a duty owed to another person or organisation.

Examples of a possible conflict of interest range from the most benign when a Director is elected to a committee of an internal club to the most apparent where a Director has an interest in a competitive business such as a hotel or restaurant.

The only way to avoid any conflict of interest is for the Director to disclose any "material personal interest" .

A Director has a "material personal interest" if he or she has any interest (be it financial or personal, or both) in a matter that relates to the affairs of the Club. A

material personal interest includes an interest in any contract which the Club has entered into, or in any proposed contract involving the Club.

Where a Director has a material personal interest, that Director must comply with the requirements of the Corporations Act, the Registered Clubs Act and the Club's Constitution.

A Director is required to disclose any material personal interest to a meeting of the Board as soon as possible after the relevant facts come to the Director's knowledge. (See Sections 191 and 192 of the Corporations Act).

A common example of a "material personal interest" which requires disclosure to a meeting of the Board is when a Director is an office-holder of an internal club or an external organisation which has made or is likely to make a request to the Board for funding of its activities.

Another common example of a "material personal interest" which requires disclosure to a meeting of the Board is when a Director has a financial or personal interest in a business which is supplying or may supply goods or services to the Club. In addition to disclosing a material personal interest, a Director should not enter into any contract with the Club in this situation.

A Director is prohibited from voting on any matter in which that Director has a "material personal interest" and from being present at a meeting of the Board while that matter is being considered (the Corporations Act specifies some limited exceptions to this prohibition).

The duty not to misuse Club property and information

A Director must not misuse the Club's property, either by direct misuse (including confidential information) or by diverting the Club's opportunities for the Director's benefit.

For example, a Director must not take the Club's property without authority and then use it for the Director's own purposes such as using the Club's funds to purchase private property. Examples of indirect misuse of the Club's property are less obvious and could include a situation where a Director uses the Club's feasibility study in relation to a proposed project to enable an entity controlled by the Director to tender for the same project.

A Director must not make "secret profits", irrespective of whether the opportunity exploited was one which was open to the Club or not or whether the Director acted honestly and in good faith.

Duties to Creditors

A Director also owes a duty to creditors not to prejudice the creditors' interests, particularly where the Club is suffering financial instability to such a degree that its creditors' money is at risk.

Registered Clubs Act duties of accountability and disclosure

There are further duties of accountability and disclosure found in the Registered Clubs Act. A breach of any of these duties may lead to an inquiry by the Director of Liquor & Gaming and subsequent findings and legal action against the Director or the Club.

Parts 4 and 4A of the Registered Clubs Act supplement the duties contained in the Corporations Act. Examples are:

- Disclosure as soon as practicable after the relevant facts come to a Director's knowledge, at a meeting of the Board of Directors, of a material personal interest in a matter that relates to the affairs of the Club (section 41C of the Registered Clubs Act);
- Disclosure of financial interests in hotels to the Club's secretary within 14 days of acquisition of an interest or within 14 days of becoming a Director (section 41D of the Registered Club's Act);
- Disclosure to the secretary of the Club within 14 days of receipt of certain gifts from an affiliated body of the Club (being a related body corporate or any other body that within 12 months immediately preceding the receipt of the gift obtained a grant or subsidy from the Club), or certain gifts from persons or organisations with contracts with the Club;

In addition, the Club has obligations to report to its members disclosures of matters made under Part 4A of the Registered Clubs Act.

Part 4A of the Registered Clubs Act prohibits disposal of land of the Club of any land of the Club unless first sanctioned by ordinary members of the Club in general meeting, the disposal is by way of public auction or open tender conducted by an independent real estate agent or auctioneer and a valuation is first obtained from an independent real estate valuer (section 41J of the Registered Clubs Act). Disposal of land includes a lease or licence of Club land or an easement over the land, for a period of more than 3 years (including any option to renew), the granting of an option to buy the land, or the termination by the Club of a lease or licence held over land by the Club or the granting by the Club of a sublease or sub-licence over land.

Certain contracts between a Director and the Club must first be approved by the Board of Directors. Contracts between the Club and certain employees (such as the secretary manager), close relatives of those employees or a company or other body in which the employee or relative holds a controlling interest are prohibited (section 41K of the Registered Clubs Act).

Loans by the Club to directors are prohibited (section 41N of the Registered Clubs Act) and loans by the Club to employees must comply with the requirements of section 41N of the Registered Clubs Act.

Certain contracts between the Club and a Director or a company or other body in which he or she holds a pecuniary interest must be approved by the Board of Directors prior to them being entered into (section 41K of the Registered Clubs Act and Regulations to the Registered Clubs Act). These contracts must also be provided to the Director of Liquor & Gaming.

BENEFITS TO DIRECTORS

Benefits to Directors (and other members) -Registered Clubs Act

Directors should realise that the obtaining of any benefit, reimbursement, honorarium, gift or advantage must be very carefully scrutinised, monitored and disclosed to ensure that the conduct of each Director is not only being undertaken in a scrupulously honest way but seen to be undertaken in that way.

The Registered Clubs Act imposes very strict requirements (which if not adhered to can result in complaint proceedings under the Registered Clubs Act against the Director) regarding the receipt of benefits such as out-of-pocket expenses and honoraria.

In general, an individual Director is not entitled to any benefit which is not equally available to any member of the Club who is not a Director, unless the members in General Meeting have authorised the giving of that different benefit to the Director.

Section 10(1)(i) of the Registered Clubs Act provides that Directors (and members) are not entitled under the rules of the Club or otherwise to derive directly or indirectly any profit, benefit or advantage from the Club that is not offered equally to every full member of the Club.

The exceptions to Section 10(1)(i) of the Registered Clubs Act are:

- where the member derived or became entitled to derive the benefit pursuant to a contract or agreement with the Club and the benefit was in the opinion of the Licensing Court reasonable in the circumstances of the case (section 10(6)(a));
- an honorarium approved by the members in General Meeting (section 10(6)(b));
- reasonable food and refreshment offered by a licensed poker machine dealer or seller in the premises of that dealer or seller or at poker machine display in New South Wales for the purposes of promoting poker machines and related products and services (section 10(6)(c));
- reasonable out of pocket expenses incurred by the secretary, an employee or a member of the Club in the course of carrying out his or her duties in relation to the Club and paid pursuant to a current resolution of the Board (section 10(6)(d));
- under section 10(6A)(b), the Club can provide different benefits for different classes of members if the different benefits (not being in the form of money or a cheque or a promissory note) have been approved by the members in General Meeting prior to the benefit being provided.

Loans To Directors

Directors, their spouses or the relatives of Directors or their spouses should not obtain loans from the Club. Section 41N of the Registered Clubs Act prohibits loans to Directors, and loans to their spouses or relatives would at the very least, a loan could be a breach of Section 10(1)(i) of the Registered Clubs Act.

Directors' Honoraria

Any payment of an honorarium to a Director in respect of his or her services to the Club as a Director must first be approved by a resolution passed at a General Meeting of the Club.

Unreasonable director related transactions

In addition to the requirements of the Registered Clubs Act regarding certain transactions involving directors, the Corporations Act has a specific provision regarding "unreasonable director related transactions". A payment, conveyance, transfer or other disposition of property to a director, a close associate of a director (eg. a relative, defacto spouse, a relative of a director's spouse or defacto spouse) or a person on behalf of, or for the benefit of, a director or close associate of a director may be recovered from any of those persons by a liquidator if a reasonable person in the Club's circumstances would not have entered into the transaction having regard to the benefits (if any) to the Club, the detriment to the Club, the respective benefits to other parties to the transaction or any other relevant matter (section 588FDA of the Corporations Act).

PARTICIPATION IN TRADE PROMOTION LOTTERIES OR RAFFLES

A trade promotion lottery is a free entry lottery or game of chance conducted for promoting the sale of goods and services and the competition is not based on skill for prizes to be won. The promotion might be the Club's goods or services and there would be a trade promotion lottery. An example is a badge draw. A raffle lottery is a lottery where prizes are distributed by the conduct of a draw of tickets or marbles from a barrel or other device.

The conduct of these types of promotional activities is covered by the Lotteries and Art Unions Act 1901 (NSW) and Regulation to that Act.

To avoid the perception of unfairness which might arise if a Director were to participate in a trade promotion lottery or raffle, particularly if he or she were to win a prize, Directors must not participate in these promotional activities.

ROLE OF THE BOARD

The role of the Board is to formulate policies and to ensure that those policies are carried out by the Club's management.

A Director will not interfere with the day to day running of the Club nor interfere with employees or contractors in the performance of their duties. A Director will make all enquiries concerning employees, contractors or the operation of the Club to the Chief Executive Officer.

A Director acting alone has no authority or power unless the Board has specifically delegated a specific task, function or responsibility to that Director.

A Director can only effectively exercise power when acting in concert as the Board of Directors of the Club.

A Director will only act in the overall best interests of the Club, notwithstanding that a Director may see himself or herself being elected from a particular part of the membership having particular interests, for example, representing an internal club involved in a particular sport or social activity.

The Board will conduct the business and affairs of the Club in accordance with the Club's Constitution and in the best interests of the Club and members as a whole.

FUNCTIONS OF THE BOARD

The Board (being the Directors acting collectively) has the following fundamental duties:

- to set goals for the Club;
- to appoint the Chief Executive Officer;
- to oversee the plans of managers for the acquisition and organisation of financial and human resources towards the attainment of the Club's goals; and
- to review at reasonable intervals the progress of the Club towards achieving its goals.

The Board also has the following managerial duties which are generally delegated to managers and are to be read subject to the duties of chief executive officers as stated in the Club Managers (State) Award:

- to establish procedures designed to protect the Club's financial position and to ensure that the Club is able to meet its debts as and when these debts fall due;
- to ensure that people who have prepared reports or given advice or opinions on which the Directors or other officers or employees of the Club have relied, were honest, competent and reliable;
- to adopt an annual budget for the financial performance of the Club and ensuring that its results are regularly monitored;
- to put in place adequate measures to ensure that decisions made by individual managers and employees are adequately monitored by the Board and that those decision-makers had adequate information about the subject matter of the decisions;
- to ensure that Directors and managers have done all that can be done to avoid a conflict of their financial or other interests with the interests of the Club;
- to adopt clearly defined delegations of authority between the Board and the Chief Executive Officer;
- to put in place adequate internal controls, both operationally and financially, and to ensure that the ability to regularly monitor these controls also exists;
- to ensure that the Club's accounts meet the Australian Accounting Standards and are true and fair;
- to adopt a compliance program designed to ensure that the Club complies with the provisions of the Corporations Act, Registered Clubs Act and other legislation; and
- to review on a regular basis the Board's effectiveness, the balance of skills it contains and areas in which its composition and deliberations should be improved.

CORPORATE GOVERNANCE

The Board is responsible for the overall corporate governance of the Club. The Board will aim to achieve managerial best practice by ensuring maximum efficiency in decision-making processes and by ensuring that the legal obligations of the Club are routinely and systematically met.

The Board will put in place a set of systems to ensure that there are recognised procedures in respect of every aspect of managing the Club. For example, the Board will:

- establish committees of Directors to ensure that there are no conflicts of interest which may affect the Directors' abilities to properly discharge their duties to the Club;
- adopt compliance programs and policies dealing with environmental issues, occupational health and safety issues and equal opportunity practices; and
- put in place procedures to ensure that all areas of financial risk to which the Club is exposed are contained to acceptable levels and that the Club has effective internal financial controls.

DELIBERATIONS OF THE BOARD

To comply with all of the duties set out above, Directors will ensure that any decision required to be made at Board level must be the subject of adequate Board scrutiny. That scrutiny should be comprised of a thorough examination of the merits and disadvantages of each proposed course of action.

Where the Directors do not have the requisite degree of knowledge or experience to conduct this examination in isolation, the Board should obtain appropriate professional advice.

The final decision of the Board in any given instance should be in the form of a resolution of the Board. The resolution should be the product of a fully informed debate on all relevant issues concerning the proposal and that process should be reflected in the minutes maintained by the Board. Where a Director dissents, that dissent should be expressed and recorded in the Board minutes and considered by the other Directors in the context of their views.

PASSING RESOLUTIONS - UNITY OF DIRECTORS

The Board will follow the voting procedure for the passing of resolutions as provided in the Club's Constitution and By-laws.

Once a resolution is passed, that resolution becomes a resolution of the Board. An individual Director who may have voted against a particular resolution is bound by that resolution and will not publicly dissent or speak against the resolution.

MEETINGS

There are at least twelve standard Board meetings per annum, eight of which are normally held on Wednesday evenings at Cammeray starting at 6:00pm and the remainder are held at Tweed Heads on Friday afternoon at 3:00pm. Additionally, 4 strategic planning meetings are also held at Tweed Heads on the Saturdays at 9:00am (following the scheduled Friday meetings). Directors are expected to attend as many meetings as possible. Prior to each meeting information pertinent to the meeting is

expected to be read and this could take between one to two hours. The club will pay for any airfares and accommodation in connection with the meetings but will not reimburse any loss of income, which is as a result of attending meetings.

UNDERTAKING

Each Director hereby undertakes to follow this Code in a manner which encourages the responsible behaviour of members and employees and ensures that all members and their guests can enjoy the facilities and services provided by the Club.

Each nominee for election as a Director will be asked to sign the attached Statutory Declaration (which relates to the nominee's understanding of this Code and the nominee's agreement, if elected to the Board, to comply with this Code) and return it to the Chief Executive Officer with his or her nomination form.