

COPYRIGHT LICENSING LIMITED CORPORATE GOVERNANCE STATEMENT

1. INTRODUCTION

Copyright Licensing Limited (CLL) is committed to having open and transparent relationships between the Board and management of CLL and with its stakeholders and users. It is committed to focusing on the needs of its stakeholders and to responding flexibly to changes within the industry in which it operates in an open, transparent and accountable manner.

To ensure open, transparent and effective management, the Board and management of CLL will regularly review and improve the governance of CLL through its Corporate Governance Statement.

This Statement aims to define and specify the respective roles of the individual Directors, the Board as a whole, the Chief Executive Officer, and other executives in relation to the Board. Prior to the appointment of any new directors, or any new executive employees of CLL, CLL will ensure that each person has read and understood the contents of this document.

Changes to the Corporate Governance Statement and the policies contained in it can only be made with the Board's approval.

2. CLL'S MISSION

CLL's core function is to act on behalf of publishers and authors in providing licensing services for the reproduction of extracts from published works and to distribute money collected as fairly and equitably as practicable to copyright owners and creators. It is CLL's mission to:

- provide licences for the reproduction of extracts from books, journals and periodicals;
- distribute licensing fees collected to copyright owners;
- encourage respect for copyright and reduce copyright abuse;
- take action against copyright infringement.

3. THE COMPANY

3.1 The Role of the Board

3.1.1 The Board is responsible for the policy and strategic direction of CLL. The principal functions and operations of the Board are to:

- (a) set the long term goals for CLL and provide direction for the management of CLL;
- (b) approve major operating plans;
- (c) approve annual budgets and long term financial plans;
- (d) establish and determine the powers and functions of any Board Committees;
- (e) review the annual progress and performance of CLL against approved plans and budgets;
- (f) approve Financial Statements for adoption by members at the Annual General Meeting;
- (g) monitor the management of monies held by CLL on behalf of copyright holders;
- (h) determine the allocation of funds for CLL's distributions;
- (i) report to stakeholders about CLL on a regular basis;

- (j) appoint the Chief Executive Officer, and set the terms of appointment for the Chief Executive Officer;
- (k) direct the Chief Executive Officer as to the requirements of the Board and CLL;
- (l) review and monitor the performance of the Chief Executive Officer; and
- (m) review the remuneration of the Chief Executive Officer and other executives.

3.1.2 The Board carries out its activities through the Chief Executive Officer to whom it delegates specific powers and responsibilities concerning staff and day to day management of CLL.

3.2 Board Structure

3.2.1 The Board of Directors consists of:

- (a) three directors appointed by shareholders holding Publisher shares; and
- (b) three directors appointed by shareholders holding Author shares.

3.2.2 The Board has the power to appoint an additional non-voting expert Director if required. Any Director so appointed may be removed by the Board at any time.

3.2.3 The policies which govern the appointments of directors to the Board, and their term of service are as follows:

- (a) in appointing Board-nominated directors, the Board will consider the key skills and experience necessary to ensure the effective functioning of the Board;
- (b) the Board will make recommendations to shareholders when positions on the Board become vacant and will ask its shareholders to consider the key skills and experience necessary to ensure the effective functioning of the Board;
- (c) in the interests of independence of the Board from management, no person shall simultaneously hold the position of Chair and Chief Executive Officer; and
- (d) directors shall notify the Board, and their continuing appointment is subject to Board approval, if they :
 - are professional advisers to CLL;
 - are associated with a significant supplier other than a mandated publisher or customer of CLL;
 - have a significant contractual relationship with CLL other than being a mandated publisher; and
 - have an interest which could materially interfere with the director's ability to act in the best interests of CLL.

4. THE ROLES AND RESPONSIBILITIES OF DIRECTORS AND OTHER COMPANY OFFICERS

4.1 Chair

4.1.1 The Chair is elected by the other directors of CLL, at the first Board meeting of the year in accordance with the Constitution of CLL.

4.1.2 The Board will elect the best candidate as the new Chair, taking note of the convention that the position of Chair rotates between authors and publishers.

4.1.3 The key duties and responsibilities of the Chair include:

- (a) being the major point of contact between the Board and the Chief Executive Officer;
- (b) chairing Board meetings;
- (c) setting the agenda for Board meetings;

- (d) leadership of the directors;
- (e) reviewing the effectiveness of Board functions and the performance of individual Board members;
- (f) reviewing CLL's progress on important initiatives and significant issues with the Chief Executive;
- (g) managing relations with the Boards of directors of other organisations.

4.1.4 The Chair may elect to be a member of all CLL Board Committees.

4.2 Individual Directors

4.2.1 Each director owes the following obligations and duties to CLL as a whole:

- (a) to act honestly in the best interests of CLL;
- (b) to use care and diligence in performing the functions of being a director of CLL;
- (c) to have skills relevant to the office of director of CLL and use them in pursuance of CLL's objectives;
- (d) to use the office of director only for proper purposes;
- (e) not to make improper use of information gained in the position of director;
- (f) to avoid conflicts of interest;
- (g) to use independent judgement;
- (h) to ensure that confidential information is kept confidential to CLL;
- (i) not to engage in conduct that might bring CLL into disrepute;
- (j) to attend and participate in Board meetings;
- (k) to make reasonable enquiries to ensure CLL is operating efficiently, effectively and legally towards achieving its goals;
- (l) to undertake diligent analysis of all proposals placed before the Board;
- (m) to keep confidential such Board discussions and deliberations which are confidential; and
- (n) to comply with the spirit as well as letter of this Corporate Governance Statement.

4.2.2 In order to fulfil these obligations, the director must:

- (a) have full access to CLL and related information in a timely, accurate manner, with reasonable assistance from the relevant staff. However, in the course of undertaking their duties, a director will not unreasonably interfere with the operations of the staff member or operations of CLL in this regard;
- (b) allocate sufficient time to enable their duties to be carried out; and
- (c) willingly express opinions and question the assumptions of management and other Board members.

4.2.3 Whilst maintaining their fiduciary and confidentiality obligations to CLL, directors appointed by the New Zealand Society of Authors and Book Publishers Association of NZ Inc. may report to their nominating organisations in general terms on CLL's activities, policy and direction and also report to CLL on the activities of their nominating organisation.

4.2.4 Directors may not make any representations or agreements with suppliers, customers, staff or others unless such authority is explicitly delegated by the Board.

4.3 Role of the Chief Executive Officer

4.3.1 The Chief Executive Officer will be appointed by the Board and be responsible to it.

4.3.2 The Chief Executive Officer's role is to meet all legal requirements of corporations law, trust law and other requirements to ensure the safety and maintenance of funds held on behalf of copyright holders.

4.3.3 The Chief Executive Officer is responsible for the management of CLL in accordance with the directions of the Board and the strategy, policies and budgets established by the Board to achieve the agreed goals.

4.3.4 The Chief Executive Officer's responsibilities include:

- (a) working with the Board to develop CLL's vision and direction, and following the reasonable directions of the Board;
- (b) constructing, with the Board, the programmes required to implement this vision;
- (c) appointing senior executives and other staff. The Chief Executive Officer will consult with the Board prior to the appointment of senior executives;
- (d) providing leadership to, and effective management of CLL;
- (e) ensuring that employment at CLL enhances an individual's learning and development, skills and professional expertise;
- (f) ensuring that CLL is a safe workplace;
- (g) carrying out the day to day management of CLL;
- (h) keeping the Board fully informed of the activities and all other matters affecting CLL; and
- (i) ensuring that CLL is an Equal Employment Opportunity employer, and that CLL complies with anti-discrimination and other workplace arrangements.

4.3.5 The Chief Executive Officer is formally delegated by the Board to:

- (a) authorise all expenditures as approved by the Board in the budget, subject to:
 - (i) Details of capital expenditure in excess of the limit set by the Board from time to time must be approved by the Board; and
 - (ii) All payments to the Chief Executive Officer, outside of contracted remuneration, must be authorised by the Board.
- (b) sign major licensing contracts, after formal approval by the Board;
- (c) sign such other contracts as are required in the proper (and Board approved) management of CLL.

4.3.6 Each year, the Board will conduct a formal evaluation of the Chief Executive Officer's performance.

5. REMUNERATION OF DIRECTORS

5.1 Directors' Fees

5.1.1 The Board will review or set the level of directors' remuneration from time to time.

5.2 Travel and Expenses

5.2.1 Directors will be reimbursed for all reasonable out-of-pocket expenses such as accommodation and meals in the performance of their duty as a director.

5.3 Professional or Other Services

5.3.1 Generally, CLL directors will not undertake professional or consultancy services for CLL. A director will only undertake such services after:

- a) a vigorous commercial evaluation of the potential candidate's relevant skills and experience;
- (b) an annual Board review of the terms of ongoing contracts with directors;
- (c) minuted Board approval of the contract; and
- (d) disclosure of the contract and key financial benefits in the Annual Report to members.

6. OTHER INVOLVEMENTS AND CONFLICTS

6.1 Other Boards and Committees

6.1.1 Directors may hold office on other Boards and Committees, however, these appointments must be disclosed to the Board.

6.1.2 Directors with material and business interests that may conflict directly or indirectly with the interests or activities of CLL must disclose those interests to the Board.

7. BOARD POLICIES

7.1 Risk Management

The CEO will keep the Board informed on any areas of significant business risk.

7.2 Media Policy

The Board has authorised the Chair and Chief Executive Officer to be CLL's principal points of contact with the media.

8. MEETINGS

8.1 Meeting Frequency and Location

8.1.1 The Board meets every six to eight weeks and at other times as deemed necessary to review and determine the strategic direction of CLL.

8.1.2 The company's Annual General Meeting is deemed to be held in the first six months of each year.

8.1.3 Board meetings are generally held at the offices of CLL at 19-21 Como St, Takapuna, North Shore City.

8.1.4 All Board members attend Board meetings. The Board also normally invites the CEO to attend the meetings. Other visitors are invited to attend meetings from time to time.

8.2 Board Meeting Agenda

8.2.1 An agenda will be prepared for each Board meeting and circulated to directors at least seven days prior to the meeting where possible.

8.2.2 Items for which a resolution is required will be identified on the agenda.

8.3 Board Papers

- 8.3.1 The Chief Executive Officer is responsible for the preparation and circulation of Board papers.
- 8.3.2 In general Board papers will contain a Management Report and a Finance Report from the CEO.
- 8.3.3 Board papers are confidential to directors and cannot be circulated to others outside the Board, unless the circulation is agreed in advance by the Board.

8.4 Board Minutes

- 8.4.1 The minutes will contain a concise and accurate review of the discussion at the meeting and the resolutions adopted by the Board.
- 8.4.2 Directors who dissent from any decision will have their dissension recorded in the minutes.
- 8.4.3 Minutes will be prepared in draft form by the Chief Executive Officer, and provided to the Chair for comments, prior to circulation to directors.
- 8.4.4 Minutes will be circulated to Directors and shareholders once approved by the Chair, and shall be submitted for approval at the next meeting of the Board. At that meeting they will be amended and/or adopted by the Board and signed by the Chair of the meeting.
- 8.4.5 A complete set of Board minutes will be maintained at CLL's offices, which can be accessed by directors at any time.
- 8.4.6 Ex-directors will be entitled to access Board minutes and other Board materials from the period in which they held office as a director of CLL.

8.5 Absence from the Board

- 8.5.1 If a director is absent from Board meetings for three meetings consecutively without formal leave of absence, the Chair will discuss the absence with the director, who will be expected to resign.

9. DIRECTORS' PROTECTION

- 9.1.1 The company will hold a complete set of Board papers for directors for a period of at least seven years.
- 9.1.2 The Board has the right for itself or for individual Board members to take independent professional advice including legal advice at the cost of CLL, in respect of matters relating to CLL's business.
- 9.1.3 In the event of legal action being taken against an individual director arising out of their position on the CLL Board, that director may (subject to notification to the Board and its approval as to costs of such advice, and availability of advice to the Board) take independent professional advice including legal advice at the cost of CLL.
- 9.1.4 The company will maintain Directors and Officers insurance for each director.

