

Corporate Governance

INVOCARE LIMITED ("the Company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company complies with the best practice recommendations released by the ASX Corporate Governance Council in March 2003, unless otherwise stated.

The relationship between the Board and Senior Management is important to InvoCare's long-term success. Day to day management of InvoCare's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer ("CEO") and Senior Executives as set out in InvoCare's delegations policy. These delegations are reviewed regularly.

A description of InvoCare's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

THE BOARD OF DIRECTORS

Board Composition

The Board currently comprises six Directors, being four Non-Executive Directors (including the Chairman) and two Executive Directors. The roles of Chairman and CEO are separate. The skills, experience and expertise of each Director are set out in the Directors' Report under the heading "Information on Directors".

The Board has assessed the independence of Non-Executive Directors in light of their interests and relationships and considers them all to be independent.

The Board has decided not to establish a Nomination Committee in view of the relatively small number of Directors and that such a Committee would not be a more efficient mechanism than the full Board for detailed selection and appointment practices. New Directors are given an orientation regarding the business including corporate governance policies, all other corporate policies and procedures, committee structures and responsibilities and reporting procedures.

The Chairman is elected by the full Board.

InvoCare's Constitution requires one third of the Directors, any other Director who has held office for three years or more since last being elected and any Director who was appointed to either fill a casual vacancy or as an addition to the existing Directors since the previous Annual General Meeting ("AGM") must retire from office at the conclusion of the AGM each year and may offer themselves for re-election at that meeting. The Managing Director is exempt from retirement by rotation and is not counted in determining the number of Directors to retire by rotation.

There is and will at all times be a Non-Executive Chairman of the Board and a majority of Non-Executive Directors.

Responsibilities

The Board of Directors is responsible for reviewing and approving the strategic direction of InvoCare and for overseeing and monitoring its business and affairs including maintenance of sound corporate governance.

The Board reviews and approves InvoCare's strategic and business plans and guiding policies. Day to day management of InvoCare's affairs is delegated to the CEO and Senior Executives.

The responsibilities of the Board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
 - organisational performance and the achievement of InvoCare's strategic goals and objectives
 - compliance with InvoCare's code of conduct
 - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
 - capital management.
- monitoring financial performance including approval of the annual and half-year Financial Reports and liaison with InvoCare's auditors.
- appointment, performance assessment and, if necessary, removal of the CEO

- ratifying the appointment and/or removal and contributing to the performance assessment of the members of the Senior Management team including the Chief Operating Officer (COO), Chief Financial Officer (CFO) and the Company Secretary
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of InvoCare
- ensuring the significant risks facing InvoCare, including those associated with its legal compliance obligations, have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place
- reporting to shareholders
- ensuring a high standard of corporate governance practice

In fulfilling these functions, the Directors seek to enhance shareholder value and protect the interests of stakeholders.

Non-Executive Directors

The four Non-Executive Directors meet, as required, at the conclusion of scheduled Board meetings without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings are shared with the full Board.



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Chairman and Chief Executive Officer (CEO)

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings. The CEO is responsible for implementing InvoCare's strategies and policies. The Board charter specifies that these are separate roles to be undertaken by separate people.

Commitments

The Board holds at least eight meetings each year. Additional meetings may be held as deemed necessary to address significant matters as they arise. At least two of the meetings include visits to operations and meeting employees.

The number of Board meetings and Committee meetings and the number of meetings attended by each Director are disclosed in the Company's Directors' Report under the heading "Meetings of Directors".

The Chairman and the CEO meet regularly to discuss key issues and performance trends of InvoCare. Other Directors maintain contact with relevant Senior Managers arising from dealings on Committees.

Each month the Directors receive a detailed operating review from the CEO regardless of whether or not a Board meeting is being held.

Conflict of Interests

Potential conflicts of interest by Directors will be reported to the Board and if necessary Directors will be excluded from discussion of the relevant matter and will not vote on that matter.

Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at InvoCare's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance Assessment

The Chairman annually assesses the performance of individual Directors and meets with Directors to discuss this assessment. The Chairman's performance is reviewed by the Board. Directors conform to the Board's agreed performance criteria for Directors.

Board Committees

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Ultimate responsibility rests with the Board and the responsibilities of the Board and its members are not diminished through the existence of these committees.

Current Committees of the Board are the Audit Committee, Risk Committee and Remuneration Committee. Each is comprised entirely of Non-Executive Directors. The Committee structure and membership is reviewed on an annual basis.

Each of these Committees has developed its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. All of these charters will be reviewed on an annual basis. All matters determined by Committees are submitted to the full Board as recommendations for Board decision.

Minutes of Committee meetings are tabled at the immediately subsequent Board meeting. Additional requirements for specific reporting by the Committees to the Board are addressed in the charter of the individual Committees.

Remuneration Committee

The Remuneration Committee comprises the Chairman of the Board, Ian Ferrier, and one other Non-Executive Director, currently Roger Penman who was appointed as a Director on 1 January 2005 and became a member of the committee upon the resignation of John Murphy on 28 February 2005. John Murphy was a committee member during the 2004 financial year and up until his resignation.

The Committee, when deemed necessary, obtains independent advice on the appropriateness of remuneration packages.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance, contribution to long-term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits.

The Committee is responsible for reviewing and approving any long-term incentive plans for the Company's employees.

The Committee also assumes responsibility for management of succession planning, including the implementation of appropriate Executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Audit Committee

The Audit Committee comprises three Non-Executive Directors. The committee is currently chaired by Roger Penman, with the other members being Christine Clifton and Richard Fisher. John Murphy chaired the committee during the 2004 financial year and up until his resignation as a Director on 28 February 2005. The members possess sufficient technical expertise and knowledge of the industry to fulfil the functions of the Committee. The Committee meets at least four times each year.

The Audit Committee operates in accordance with a charter which is reviewed annually. The main responsibilities of the Committee are to:

- assist the Board in fulfilling its oversight of the reliability and integrity of financial management, accounting policies, asset management and financial reporting, including annual and half yearly reports
- advise the Board on internal control including relating to financial statements, due diligence, information technology and financial systems integrity
- establish and maintain an effective internal audit function, if necessary, outsourcing to independent professional internal auditors
- oversee the scope of work, relationship with management, appointment, fees, independence and effectiveness of the external auditor
- recommend the removal of the external auditor if appropriate
- recommend improvements for the correlation between financial and non-financial information and reports

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- strengthen the role and influence of Non-Executive Directors
- review and monitor the propriety of any related party transactions
- review processes and controls for the identification and management of strategic, financial and information technology risks (“Financial Risks”)
- review and monitor InvoCare’s compliance with the Corporations Act and ASX Listing Rules
- report to the Board all matters relevant to the Committee’s responsibilities.

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and the external auditor
- meets with the external auditor at least twice a year without the presence of management
- requires the CEO and CFO to state in writing to the Board that InvoCare’s Financial Reports present a true and fair view, in all material respects, of InvoCare’s financial condition and operational results and are in accordance with relevant accounting standards
- reviews any significant disagreements between the auditor and management, irrespective of whether they have been resolved
- provides the external auditor with a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External Auditor

The policy of InvoCare and the Audit Committee is to appoint an external auditor which clearly demonstrates quality and independence. The performance of the external auditor is reviewed and assessed annually. PricewaterhouseCoopers was appointed as the external auditor in 1994. It is PricewaterhouseCoopers’ policy to rotate audit engagement partners on listed companies at least every seven years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 31 December 2000. This policy will be amended to a five year rotation to comply with the requirements of CLERP 9.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in Note 34 – Remuneration of auditor. It is the policy of the external auditor to provide an annual declaration of its independence to the Audit Committee.

Certification of Financial Reports

The CEO and CFO have stated in writing to the Board that the Financial Report for the year ended 31 December 2004 is complete and presents a true and fair view, in all material respects, of the financial condition and operational results of the Company and the consolidated entity and is in accordance with relevant accounting standards.

This statement is based on an operating system of risk management and internal compliance which implements policies adopted by the Board.

The Company adopted this reporting structure for the year ended 31 December 2004.

Risk Committee

The Risk Committee comprises three Non-Executive Directors. It is chaired by Christine Clifton and the other members are Richard Fisher and Ian Ferrier. The members possess sufficient technical expertise and industry knowledge to fulfil the functions of the Committee. The Committee meets at least twice each year.

The Risk Committee operates in accordance with a charter which is reviewed annually. The main responsibilities of the Committee are:

- to establish a sound system of risk oversight and management and internal control under which InvoCare can identify, assess, monitor and manage risk
- to inform investors of material changes to the risk profile of InvoCare and maintain appropriate risk management practices and systems throughout the operations of InvoCare

– the management of operational and compliance risks, including but not limited to:

- InvoCare's insurance program
- environmental policy and issues
- occupational health and safety
- disaster recovery strategy
- litigation against InvoCare
- industry related regulatory compliance
- compliance with the policy framework in place from time to time
- internal controls over operational risks
- InvoCare's overall operational risk management program.

The Committee, when deemed necessary, obtains independent advice on risk management matters.

The Risk Committee does not have responsibility in relation to financial and information technology risk management, which is the focus of InvoCare's Audit Committee.

Code of Conduct

InvoCare has developed a code of conduct (the code) which applies to all Directors and employees. The code is updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in InvoCare's integrity.

In summary, the code requires that at all times all InvoCare personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and InvoCare policies.

Securities Trading Policy

The purchase and sale of InvoCare Limited securities by Directors and senior employees is only permitted during the 30 day period following release of the half-yearly and annual financial results to the market and the AGM of InvoCare. Any transactions undertaken must be notified to the Company Secretary in advance.

Corporate Governance continued

Continuous Disclosure and Shareholder Communication

The CEO or Company Secretary have been nominated as responsible for communications with the shareholders and the ASX. This includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on InvoCare's web site as soon as it is disclosed to the ASX. When analysts are briefed on aspects of InvoCare's operations, the material used in the presentation is released to the ASX and posted on InvoCare's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

All shareholders will receive a copy of InvoCare's Annual Report and Half Yearly Report (unless a shareholder has specifically requested not to receive the document). In addition, InvoCare seeks to provide opportunities for shareholders to participate through electronic means. All recent InvoCare announcements, media briefings, details of InvoCare meetings, press releases and Financial Reports are available on InvoCare's website www.invocare.com.au. Shareholders are also able to direct any questions relating to the Company's securities to the share registry, ASX Perpetual Registrars Limited.

At the AGM, shareholders have the opportunity to direct any questions to the Board, and the external auditor is available to answer shareholder questions about the audit and auditor's report.