

Corporate governance is a foundation for creating and maintaining shareholder value. With this intention Altium Limited, its consolidated entities (Altium) and the Altium Limited Board of Directors (Board) are committed to achieving and demonstrating the highest standards of corporate governance.

In all material aspects, Altium's corporate governance framework is consistent with the Australian Stock Exchange (ASX) Corporate Governance Council's best practice recommendations. Minor deviations occur only when a principle or recommendation is not appropriate for the company to incorporate.

The Board continuously reviews and assesses the appropriateness of Altium Limited's corporate governance framework with reference to the effect of both internal and external factors.

## The roles of the board and management

The Board is responsible for promoting the success of the group as a leading global developer and supplier of electronic product development solutions; and as a commercial entity listed on the ASX. The Board has a charter that outlines its functions and responsibilities, which include the review and approval of corporate strategy, budgets and financial plans, monitoring organisational performance and achievement of the group's strategic goals and objectives.

The relationship between the Board and senior executives is critical to the group's long term success. The directors are responsible to shareholders for the performance of the group and seek to balance competing objectives in the best interests of the group as a whole. Their focus is to align the interests of the shareholders, employees and customers and to ensure that the group is appropriately managed.

Day to day management of the group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and senior executives.

## Board structure

The board is currently comprised of four non-executive directors and three executive directors, as follows;

Name	Position	Date of appointment
Samuel S Weiss	Chairman, Non-Executive Director	1 January 2007
Nicholas M Martin	Chief Executive Officer, Chief Technology Officer, Executive Director	30 August 1991
Kayvan Oboudiyat	Executive Vice Chairman, Executive Director	10 February 1997
André J Pravaz <sup>1</sup>	Executive Director and Chief Sales Officer	1 January 2007
William A Bartee	Non-Executive Director	3 May 1999
Carl J Rooke	Non-Executive Director	13 June 1990
David M Warren	Non-Executive Director	4 December 1991

<sup>1</sup> André Pravaz was appointed on the 14 August 2008 to the executive position of Global Head of Sales for the group. He will continue to serve on the Board, however in the capacity of an executive director

Details of the background, experience and professional skills of each director are outlined in the directors' report under the heading "Information on directors".

The following directors are retiring by rotation in accordance with the Constitution and ASX Listing Rules and seek re-election at the 2008 Annual General Meeting:

- Nicholas M Martin
- Carl J Rooke
- William A Bartee

### Director independence

---

The Board believe that in order for a director to add value to the Board they need to have either knowledge of the company or the highly technical industry in which the company operates while bringing independent views and judgment to the Board's deliberations. In line with corporate governance best practice principles, the majority of the Board members are independent with four directors, including the Chairman considered independent.

Whilst the Board has not set independence materiality thresholds, they do consider specific factors such as directors' shareholdings, length of service and relationships with key advisers when undertaking an annual determination of each director's independent status. Apart from the three executive directors, the Board currently also considers one non-executive director (David Warren) not to be independent due to his status as a substantial shareholder and his length of service as an executive to the company.

### Meetings of the board

---

The Board meets formally between six and eight times a year and on other occasions as required. Senior executives attend and make presentations at Board meetings, as considered appropriate, and are available for questioning by directors. The number of meetings attended by each director for the financial year ended 30 June 2008 is outlined in the directors' report.

### Retirement and re-election

---

The constitution of Altium Limited requires each director to retire from office at the next annual general meeting after serving a period of two years. Directors who have been appointed by the Board are required to retire from office at the next annual general meeting. Retiring directors are eligible for re-election by shareholders. The chairman is appointed by the Board which also determines the period the elected chairman is to hold office.

### Nomination and appointment of new directors

---

Recommendations for new directors are generally made by the Remuneration and Nomination Committee for consideration by the Board, notwithstanding ASX listing rule requirements\*. If a candidate is recommended by the Remuneration and Nomination Committee, the Board assesses the candidate against a range of criteria including background, experience, professional skills, personal qualities, potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If this criteria is met and the Board appoints the candidate as a director, that director will retire at the following annual general meeting and be eligible for re-election by shareholders.

The Remuneration and Nomination Committee reviews the Board composition and membership on an ongoing basis, with regards to present and future needs of the group and makes recommendations on the Board composition and appointments.

\* Listing rule 14.3 requires the company to accept director nominations up to 35 business days before a general meeting at which directors may be elected.

### Director Induction and training

---

Upon the appointment of a new director to the Board, they are provided with an induction manual which advises them of the company structure, products, policies, procedures and guidelines. The director undertakes an orientation process in close consultation with the Company Secretary who is also on hand to answer any questions and further tailor the orientation towards the specific needs of each director. With written approval from either the Chairman or Company Secretary, the Board supports and encourages directors to seek any relevant on-going training to further enhance their contribution to the Board. In addition training may be recommended as part of the on-going Board assessment process or by the Remuneration and Nomination Committee to further extend the skill-set of the Board.

### Review of Board performance

---

The Board continually assesses its collective performance, the performance of the chairman and of its committees. The chairman also undertakes an on-going assessment of the performance of individual directors. Any concerns arising out of these assessments are raised with the director concerned. The Board prefers to continually monitor performance as it enables them to immediately address any issues, as and when they arise.

### Board access to information and independent advice

When seeking information to enable a director to perform their duties, subject to the law, the company provides unrestricted access to information and records held by employees or external advisers. The Board also receives regular detailed financial and operational reports from senior executives. In addition, non-executive directors are also given the opportunity to meet regularly with senior executives to establish direct relationships.

With prior written approval from the chairman, each director and Board committee may, in connection with their duties, obtain independent professional advice at the group's expense.

### The role of the Company Secretary

The Company Secretary has been appointed by the Board as the chief administrative officer of the company and the executive officer who ensures all relevant business is brought to the Board and then follows through the implementation of all Board decisions. The Company Secretary is to act in good faith, with care and diligence to:

- Ensure the company abides by its constitution, the provisions of the Corporations Act 2001 and the ASX Listing Rules;
- Ensure the necessary company registers are established and maintained as required by the Corporations Act 2001;
- Undertake the preparation and filing of all relevant ASIC filings within appropriate time limits;
- Supervise the organisation of all Board and Shareholder meetings via the preparation of notices, agendas, proxy documentation, minutes etc.;
- Keep abreast of current protocols and procedures in order to advise the Chair and Board as required;
- Supervise the issue of share and option allotment notifications;
- Liaise with the ASX and ASIC on behalf of the company.

### Committees of the board

The Board establishes sub-committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the 'Remuneration and Nomination' Committee and the 'Audit and Risk Management' Committee. The structure, membership and contribution of each committee is reviewed on an annual basis.

Each committee has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by the committees are submitted to the full Board as recommendations for Board evaluation.

### Audit and risk management committee

The members of the Audit and Risk Management Committee at the date of this report are:

Director Name	Date of appointment
Carl J Rooke – Chairman appointed 10 Dec 2007	22 June 1999
William A Bartee	22 June 1999
Samuel S Weiss	23 July 2007
André J Pravaz	25 February 2008

The main responsibilities of the Audit and Risk Management Committee is to maintain the integrity of financial reporting and monitor the control environment for managing strategic, operation, legal, reputation and financial risks.

The specific responsibilities outlined in its charter include reporting to the Board on all financial information published by the group or released to the market, assisting the Board in reviewing the effectiveness of the organisation's internal control environment, recommending to the Board the appointment, removal and remuneration of the external auditor, reviewing the terms of their engagement and the scope and quality of the audit and reviewing company insurance matters.

When appropriate, the Audit and Risk Management Committee may invite non committee members to attend meetings in order to provide information or advice on matters before the committee. The committee also meets from time to time with the external auditor independent of management, to encourage free and open discussion. The composition, operations and responsibilities of the committee is consistent with best practice recommendations. The number of meetings attended by each committee member for the financial year ended 30 June 2008 is outlined in the directors' report.

## Financial reporting

---

The group's financial report preparation and approval process for the financial year ended 30 June 2008, involved both the Chief Executive Officer and Company Secretary giving a sign-off, to the best of their knowledge and belief, that :

- The group's financial report presents a true and fair view, in all material respects, of the group's financial condition and operating results and is in accordance with the law and applicable accounting standards.
- The financial report is founded on a sound system of risk management and internal compliance and controls which implement the policies adopted by the Board.
- The group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## Audit governance and independence

---

As part of the group's commitment to safeguarding integrity in financial reporting, the group has implemented procedures and policies to monitor the independence and competence of the group's external auditors.

## Appointment of auditor

---

The group's current external auditor is PricewaterhouseCoopers. The Audit and Risk Management Committee reviews the auditors' independence, performance and effectiveness on an ongoing basis. The selection and appointment of the group's external auditor is the responsibility of the Audit and Risk Management Committee.

## Independence declaration

---

In accordance with changes introduced by CLERP 9, auditors are now required to state that to the best of their knowledge or belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit. In accordance with section 298(1) (c) and section 306(2), PricewaterhouseCoopers have provided a copy of this declaration to the Audit and Risk Management Committee for the financial year ended 30 June 2008, which has been included in the directors' report.

## Rotation of lead external audit partners

---

Altium Limited has adopted a policy of rotating its lead audit partner every five years. This policy has been applied to all audit work undertaken in the financial year ended 30 June 2008.

### Restrictions on the performance of non-audit services by external auditors

The Audit and Risk Management Committee has implemented a policy that requires the prior approval of the committee for the provision of any non-audit services to the group by the external auditor for any amount above AU\$20,000. The Audit and Risk Management Committee has also adopted guidelines to assist in identifying the types of services that may compromise the independence of the external auditor.

### Attendance of external auditor at annual general meetings

PricewaterhouseCoopers is requested to attend Altium Limited's annual general meeting and to be available to answer questions in relation to the audit and audit report.

### Risk identification and management

The Board, through the Audit and Risk Management Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The group is committed to the identification; monitoring and management of risks associated with its business activities and is embedding in its management and reporting systems a number of risk management controls. These include:

- guidelines and limits for approval of capital expenditure and investments;
- a group regulatory compliance program supported by approved guidelines and standards covering such key areas as occupational health and safety, finance, legal and insurance;
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates;
- a formal planning process of product development and upgrade programs for a one to two year horizon;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for IT infrastructure within the group.

### The Remuneration and Nomination Committee

The Nomination and Remuneration Committees were amalgamated on the 25 February 2008 to form a new consolidated committee - The 'Remuneration and Nomination Committee'. This joint committee resulted after a review of the two committees indicated that it was unnecessarily cumbersome for the company in terms of time and resources to have two separate committees and that it would be more efficient and effective to combine them. The Board approved the amalgamation after ensuring the new committee would be adequately resourced to take on the full responsibilities for both previous committees. The new committee will be monitored to ensure it continues to fulfil its obligations. A new charter has been drafted to reflect the additional duties and responsibilities of the Remuneration and Nomination Committee.

The members of the 'Remuneration and Nomination Committee' at the date of this report are:

Director Name	Date of appointment
William A Bartee - Chairman appointed 25 Feb 2008	22 June 1999
David M Warren	15 July 2005
Samuel S Weiss	25 February 2008
André J Pravaz	25 February 2008

The number of meetings attended by each director for the financial year ended 30 June 2008 is outlined in the directors' report.

The main responsibilities of the committee are to:

1. advise the Board on remuneration and incentive policies and practices generally. Including making specific recommendations on remuneration packages and other terms of employment for executive and non-executive directors, and other senior executives;
2. conduct an annual review of the membership of the Board with regard to present and future needs of the group, make recommendations on Board composition and appointments, propose candidates for Board vacancies, oversee Board and Chair succession and establish induction guidelines for newly appointed directors.

The committee has established criteria for Board independence and conducts an annual review of director's independence. In addition, all transactions between the Company and directors, or any interests associated with the directors are reviewed to ensure the structure and terms of the transaction are in compliance with the Corporations Act 2001 and appropriately disclosed.

Each member of the senior executive team is required to sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination.

## Remuneration policies

---

### Non-executive directors

The group's non-executive directors receive fees for their services and the reimbursement of reasonable expenses. The fees paid to the group's non-executive directors reflect the demands on, and the responsibilities of, those directors. The advice of independent remuneration consultants is taken to ensure that the directors' fees are in line with market standards. Subject to shareholder approval, non-executive directors are eligible to participate in Altium Limited's Directors' Option Plan in addition to their remuneration.

### Executive directors and senior executives

The structure and disclosure of the group's remuneration policies for executive directors and senior executives are outlined in the directors' report.

A directors' fee pool limit of AU\$700,000 per annum was approved by shareholders at the 2007 annual general meeting. An annual Board review of the current levels of directors' fees determined that there would not be an increase in director fees in the current period. The directors' remuneration is outlined in the remuneration report.

The Altium Constitution does not require directors to hold an Altium share qualification.

## Share trading

---

Under the group's share trading guidelines, all employees and directors of the group are advised not to trade in Altium Limited's shares or other securities if they are in possession of "price sensitive information". Subject to this guideline and in the light of the ASX's continuous disclosure requirements, trading can occur at any time and is not limited to specified windows following the publication of financial results.

In addition, employees and directors of the group must advise the Company Secretary of their intention to trade and declare that there is no known reason to preclude them from trading in Altium Limited's shares or other securities.

## Continuous disclosure

---

The continuous disclosure provisions of the Corporations Act 2001 and the listing rules mean that criminal and civil liabilities could be imposed on Altium Limited and its officers if material information is not released to the market in accordance with the ASX listing rules. The group has established written policies and procedures on information disclosure. The focus of these procedures is on continuous disclosure and improving access to information for all investors.

The Board has nominated the Company Secretary to have responsibility for:

- making sure Altium complies with continuous disclosure requirements;
- overseeing and coordinating disclosure of information to the stock exchange, analysts, brokers, shareholders, the media and the public; and
- educating directors and staff on the group's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

Following recent changes to the Corporations Act 2001 after notifying shareholders last year Altium will now predominantly utilise an on-line annual report, with hard copies only sent to shareholders who have specifically requested one. Shareholders will continue to receive a notice of meeting and proxy form along with a notification of the electronic link to the on-line version of the Annual Report.

All shareholders receive a copy of the group's annual report. In addition, all group announcements, media briefings, press releases and financial reports are available on Altium Limited's website [www.altium.com.au](http://www.altium.com.au).

## Conduct and ethics

---

Altium is committed to conducting business with honesty and integrity and the conduct of every employee is vital in achieving this aim. Altium Limited's Code of Conduct provides a guideline for appropriate behaviour expected from all Altium employees. The code is regularly reviewed and updated as necessary to reflect the highest standards of behaviour, professionalism and practices necessary to maintain the group's integrity. It is not intended to cover all issues that may arise, but rather to provide a framework within which employees can address ethical issues that may arise through the daily business of the group.

Employees are expected to perform the duties associated with their position to the best of their ability in a diligent, impartial and conscientious manner. This includes compliance with legislative and industrial obligations and group policies.