

## CORPORATE GOVERNANCE STATEMENT

Foster's supports the Australian Securities Exchange's (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX guidelines). We are committed to delivering best practice in corporate governance and transparency in reporting. During the reporting period, Foster's has been compliant with all ASX guidelines.

The charters, codes and policies in respect of Foster's corporate governance practices referred to in this Statement are available on the corporate governance section of the Foster's website – [www.fostersgroup.com](http://www.fostersgroup.com)

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

#### Board of Directors

The Foster's Board is responsible for the overall corporate governance of the Company. The Board Charter sets out the following objectives of the Board:

- ▶ To provide strategic guidance for the Company and effective oversight of management;
- ▶ To optimise Company performance and shareholder value within a framework of appropriate risk assessment and management; and
- ▶ To recognise the Company's legal and other obligations to all legitimate stakeholders.

The Board Charter specifies the Board's responsibilities towards the achievement of these objectives as being:

- ▶ Oversight of the Company, including its controls and accountability systems;
- ▶ Appointing and removing the Chief Executive Officer and approving his/her terms of engagement and termination benefits;
- ▶ Ratifying the appointment and removal of members of the Foster's Leadership Team, approving their terms of engagement and termination benefits, and monitoring their performance;
- ▶ Providing input into, and final approval of, management's development of corporate strategy and performance objectives, and monitoring performance against those plans;
- ▶ Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- ▶ Protecting the Company's financial position and its ability to meet its debts and other obligations as they fall due; and
- ▶ Ensuring that the Company's accounts comply with relevant accounting standards and present a true and fair view.

The Board has delegated responsibility for operating and administering the Group to the Chief Executive Officer, who is accountable to the Board for the performance of these duties.

The Board Charter requires an independent non-executive Director to hold the position of Chairperson of the Board.

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

The Foster's Constitution specifies the number of Directors may be not less than the number required by the Corporations Act (currently three), nor more than fifteen (or such number within this range as the Board may determine from time to time). The Board has determined that for the time being the maximum number of Directors is six.

#### Directors

The members of the Foster's Board as at the date of this report are:

David A Crawford, AO  
(since August 2001)

M Lyndsey Cattermole, AM  
(since October 1999)

Paul A Clinton (since March 2008)

Ian D Johnston (since September 2007)

Max G Ould (since February 2004)

Michael J Ullmer (since July 2008)

Details of the respective Directors' qualifications, directorships of other listed companies, including those held at any time in the three years immediately before the end of the financial year, experience and other responsibilities are provided in the Directors' Report – refer page 12 of this Annual Report.

#### Directors' independence

As required under the Board Charter and ASX guidelines, the Board comprises a majority of independent non-executive Directors.

The Charter states that Foster's will regard a non-executive Director as independent if he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

When determining the independent status of a non-executive Director, the Board will take into account whether he or she:

- ▶ Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- ▶ Is employed, or has previously been employed in an executive capacity by the Group, and there has not been a period of at least 3 years between ceasing such employment and serving on the Board;
- ▶ Has within the last three years been:
  - principal of a material professional adviser to the Group;
  - a material consultant to the Group; or
  - an employee materially associated with the service provided by such adviser or consultant to the Group;
- ▶ Is a material supplier or customer of the Group, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer; or
- ▶ Has a material contractual relationship with the Group other than as a Director of the Company.

The Board has determined materiality thresholds for assessing the independence of Directors. Under those thresholds:

- ▶ A person will be regarded as a substantial shareholder if they hold more than five per cent of the Company's voting shares;
- ▶ An adviser will be a material professional adviser or consultant where the billings to the Company are more than five per cent of the adviser's or consultant's total revenues;
- ▶ A supplier to the Company will be a material supplier where the Company accounts for more than five per cent of the supplier's revenues; and
- ▶ A customer of the Company will be a material customer where the customer accounts for more than five per cent of the Company's revenues, or the Company accounts for more than five per cent of the customer's costs.

Whether or not a material contractual relationship exists will be determined, on a case-by-case basis, consistent with these thresholds.

Applying these criteria the Board has determined that save for Mr Johnston (who is an executive Director), all other Directors are independent.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

### *Board Committees*

The Board carries out a number of its duties and responsibilities through specific Board Committees:

- ▶ Audit Committee
- ▶ Risk and Compliance Committee
- ▶ Human Resources Committee
- ▶ Succession Committee

The Charter of each Board Committee sets out the respective duties and responsibilities of that particular Committee.

Each Committee is entitled to the resources and information it requires, including direct access to employees and advisers.

All Foster's Directors receive copies of all Board Committee papers and may attend meetings of all Board Committees whether or not they are members.

Details of individual Director's memberships of Board Committees are provided in the biographies included in the Directors' Report – refer page 12 of this Annual Report.

### *Directors' attendance at Board and Board Committee meetings*

The number of Board and Board Committee meetings held in the period each Director held office during the financial year, and the number of those meetings attended by each Director, are provided in the Directors' Report – refer to page 13 of this Annual Report.

The Board's performance is enhanced by providing non-executive Directors with regular briefings on the Group's operations, together with site visits and presentations by external parties in a range of fields.

The non-executive Directors meet without the presence of management during the course of regular Board meetings and on at least three occasions during the year outside of the regular Board meetings.

### *Independent advice*

The Board, an individual Director or a Committee, may engage an independent external adviser in relation to any Board matter, at the expense of the Company. Before the external advice is sought, consent needs to be obtained. In the case of:

- ▶ The Board – from the Chairperson;
- ▶ An individual Director – from the Chairperson or the relevant Committee Chairperson, as the case may be;
- ▶ A Committee – from the Committee Chairperson;
- ▶ The Chairperson – from another Director.

The Chairperson or a Committee Chairperson, as applicable, may determine that any external advice received by an individual Director be circulated to the remainder of the Board.

### *Succession Committee*

The Succession Committee consists entirely of independent non-executive Directors. One of the Committee's members is required to be the Board Chairperson, who, under the Succession Committee Charter, is the Chairperson of the Committee. The Committee meets as required and at least twice per year – see page 13 for details. The Chief Executive Officer is invited to attend meetings as required.

The Committee's role is to review and make recommendations to the Board on the composition, size and commitment of the Board. Its duties include:

- ▶ Assessing the necessary and desirable competencies of Board members;
- ▶ Evaluating the range of skills, experience and expertise on the Board prior to making any recommendation for an appointment;
- ▶ Identifying individuals qualified to become Board members following an assessment of their skills, experience, expertise and likely level of commitment, and recommending them to the Board;
- ▶ Developing and implementing succession plans and plans for enhancing Director competencies; and
- ▶ Reviewing the performance of the Board, Board Committees, individual Directors and the Chief Executive Officer.

Annually, the Board conducts a formal review of its effectiveness and the effectiveness of the Board Committees and individual Directors. The views of individual Directors and the views of the Foster's Leadership Team are canvassed.

Following each review:

- ▶ The performance of individual Directors is discussed by the Chairperson with each Director (and in the case of the Chairperson, by a Director chosen by the Board for the purpose); and
- ▶ The performance of the Board and Board Committees is discussed by the Board at its next meeting after conclusion of the review.

At least every two years, the Board engages external consultants to conduct a comprehensive review of the effectiveness of the Board, its Committees and individual Directors. This review is conducted against the terms of the Board Charter or relevant Committee Charter (as the case may be), and includes surveys of each Director, the Foster's Leadership Team and relevant external persons. The external review was conducted prior to 30 June 2009.

In relation to the performance of the Chief Executive Officer, this is measured against agreed annual key performance objectives consistent with the Company's Individual Performance Management program.

The evaluation of senior executives' performance is addressed as part of the processes described in the Remuneration Report.

### **Principle 3: Promote ethical and responsible decision-making**

#### *Code of Conduct*

Foster's recognises that its reputation is one of its most valuable assets, and is founded largely on the ethical behaviour of the people who represent the Group.

The Board has approved a Code of Conduct that sets out the principles for ethical behaviour by all Group personnel. This ethical framework provides the foundation for maintaining and enhancing Foster's reputation.

Foster's Code of Conduct therefore commits its Directors, employees, contractors and consultants to not only comply with the law, but to conduct business in accordance with the highest ethical conduct so that, as a global supplier of premium alcoholic and non-alcoholic beverages, we:

- ▶ Demonstrate our corporate responsibility by among other things encouraging the responsible consumption of our products;
- ▶ Conduct business with integrity, honesty and fairness;
- ▶ Value and respect diversity in a workplace in which no-one is discriminated against on the basis of gender, age, race, religion, sexual orientation or marital status; and
- ▶ Exercise high ethical conduct in observing the spirit and letter of our legal obligations.

Any breach of the Code of Conduct is a serious matter that may give rise to disciplinary action, including dismissal and legal action.

The Code of Conduct is available on the Foster's website – [www.fostersgroup.com](http://www.fostersgroup.com)

#### *Whistleblower Policy*

In accordance with Foster's Whistleblower Policy, employees aware of any matter or behaviour that may contravene the Code of Conduct, Foster's policies or the law are encouraged to:

- ▶ Take the matter up with their immediate supervisor or manager;
- ▶ Report the matter to their Human Resources Manager, a more senior manager or the Company Secretary; or
- ▶ In instances where an employee wishes to remain anonymous, call the confidential external Whistleblower Service Provider where concerns can be raised privately.

The Whistleblower Policy provides that all reports will be thoroughly investigated, and that, where applicable, feedback on the outcome of the investigation will be provided to the person making the report. Any person who makes a report will not be discriminated against or disadvantaged in their employment with the Group simply for making a report.

The Whistleblower Policy is available on the Foster's website – [www.fostersgroup.com](http://www.fostersgroup.com)

#### *Business dealings with the Company and conflicts of interest*

The Company has procedures in place for the reporting of any matter which may give rise to a conflict between the interests of a Director and those of the Company.

Employees are required annually to disclose arrangements where a potential conflict may arise. A register of interests so declared is maintained by the Company Secretary. When a potential conflict of interest arises, employees must advise the Company Secretary and their immediate supervisor. A decision is then made as to whether the reported activities may continue.

Where the Board is considering a matter in which a Director has a material personal interest, that Director may not be present during Board or Board Committee discussions nor vote on the matter unless permitted under specific circumstances in accordance with the Corporations Act.

#### *Political donations*

Foster's also has in place a policy prohibiting donations, whether in cash or kind, to any political party or organisation, politician or candidate for public office in any country in which it operates.

#### *External directorships*

Key executives are permitted to hold one non-executive directorship of an external public company, depending on the particular circumstances, but only on the recommendation of the Chief Executive Officer for approval by the Board. The Chief Executive Officer is permitted to hold one non-executive directorship of an external public company with the approval of the Board. Such a public company must not be a competitor, supplier or customer of the Group, nor can the directorship create an actual or potential conflict of interest with the Group's business activities.

#### *Share Trading Policy*

Foster's has a policy applying to all Directors, the Foster's Leadership Team and other employees that prohibits insider trading in accordance with the Corporations Act and prescribes certain requirements for dealing in Company Shares (including in certain circumstances, restrictions on dealing in Company Shares by a direct family member).

Under the policy:

- ▶ Unless they have the prior approval of the Company Secretary, employees, other than Directors and members of the Foster's Leadership Team, must not deal in Company Shares, except during the following Trading Windows:
  - in the period beginning two calendar days after lodgement of the Company's half year and annual profit announcements with the ASX and concluding one month after that lodgement;
  - in the period from lodgement of the Company's printed Annual Report with the ASX to one month after the holding of the Company's Annual General Meeting; and
  - during the period when Company Shares can be acquired under a prospectus issued by the Company.
- ▶ Before any Director or member of the Foster's Leadership Team deals in any Company Shares at any time, including during Trading Windows, they must discuss the proposed dealing with (and obtain approval from):
  - the Chairperson, in the case of Directors and the Foster's Leadership Team; or
  - in the case of the Chairperson, a Director chosen by the Board for that purpose.

- ▶ Dealings for short-term gain and the use of forward contracts by any Director, member of the Foster's Leadership Team or other employees are prohibited at any time unless prior approval is obtained from the Chairperson.
- ▶ Employees (including members of the Foster's Leadership Team) are prohibited from entering into any arrangement (including options or derivative products) that may alter the economic benefit they may derive with respect to their participation in any unvested equity-based incentive award or grant.
- ▶ No Director or member of the Foster's Leadership Team may enter into a margin loan or similar funding arrangement to acquire any Company Shares.

The Share Trading Policy is available on the Foster's website – [www.fostersgroup.com](http://www.fostersgroup.com)

#### *Corporate sustainability*

Foster's adopts an integrated approach to corporate sustainability. The Group is committed to continuously improving its business practices to maximise positive and minimise negative social, environmental and economic impacts. This enhances employee engagement and retention, supports corporate reputation, manages risk and protects the social licence to operate.

The Group's annual Sustainability Report is available at [www.fostersgroup.com](http://www.fostersgroup.com). The Report provides details of the sustainability work undertaken at Foster's, with an emphasis on outcomes and impact.

#### **Principle 4: Safeguard integrity in financial reporting**

##### *Chief Executive Officer and Chief Financial Officer declaration*

The Chief Executive Officer and Chief Financial Officer have provided a written declaration to the Board that the Company's financial records have been properly maintained, and that the Company's financial statements and notes give a true and fair view and comply with the accounting standards. In addition, to meet the requirements of Principle 7, this declaration also confirms that it is founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

### *Audit Committee*

The Audit Committee consists entirely of independent non-executive Directors, including Michael J Ullmer, who has comprehensive financial experience. One of the Committee's members is also the Chairperson of the Risk and Compliance Committee. The Committee meets as required, normally at least four times per year – see page 13 for details. The Chairperson of the Board is not permitted to Chair this Committee.

The Committee's role is to assist the Board to independently verify and safeguard the integrity of the Company's financial reporting, and review and evaluate all material capital management, financing and treasury risk management proposals. The Committee's primary responsibilities are to:

- ▶ Assess whether the Company's external reporting is legally compliant, consistent with Committee members' information and knowledge, and suitable for shareholder needs;
- ▶ Assess the management processes supporting external reporting;
- ▶ Liaise with the external auditors and ensure that the annual statutory audit and half-year review are conducted in an effective manner;
- ▶ Make recommendations for the appointment or removal of the external and the internal auditors;
- ▶ On an annual basis, assess the performance and independence of the external and internal auditors; and
- ▶ Monitor the coordination of the internal and external audits.

The lead external audit partner is required to rotate off the audit after a maximum of five years. The internal audit function may not be performed by the external auditors.

The Audit Committee has unlimited access to both internal and external auditors, to senior management and other employees of Foster's. At each meeting the Committee has the opportunity to meet with the external and internal auditors without management present.

### **Principle 5: Make timely and balanced disclosure**

Foster's complies with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and has in place well developed procedures for dealing with compliance.

Foster's has a Disclosure Policy that sets out the procedures and requirements expected of all employees of the Company, including Directors, executive officers and senior executives relating to the Company's compliance with these obligations.

The Disclosure Policy is available on the Foster's website – [www.fostersgroup.com](http://www.fostersgroup.com)

The Foster's website also contains recent ASX announcements, Annual Reports and financial report announcements, as well as relevant speeches and support material provided to the media and investment market.

### **Principle 6: Respect the rights of shareholders**

Foster's Shareholder Communication Policy encourages and promotes effective communication with shareholders and effective participation at General Meetings. Foster's, on an ongoing basis, examines how best to take advantage of technology to enhance shareholder communications and how to use General Meetings to enhance two-way communication. Foster's maintains an up-to-date website to complement the official release of information to the market.

The Shareholder Communication Policy is available on the Foster's website – [www.fostersgroup.com](http://www.fostersgroup.com)

The external auditor attends the Annual General Meeting and is available to answer shareholder questions about:

- ▶ The conduct of the audit;
- ▶ The preparation and content of the auditor's report;
- ▶ The accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- ▶ The independence of the auditor in relation to the conduct of the audit.

### **Principle 7: Recognise and manage risk** *Risk management processes*

The Board has approved a Risk and Assurance Framework and supporting processes to oversee and manage risk.

Foster's Risk and Assurance Framework is founded on a clear risk management philosophy and accountabilities driven by governance and operation. The Framework describes Foster's risk and assurance systems and the supporting management disciplines in place to bring these systems to life. It explains the philosophy and structure required to recognise business improvement opportunities through the management of risk.

The Framework is action-oriented and requires people to focus on the right things, prepare effective action plans and to be held accountable for their actions.

The Framework acknowledges that all employees have a role in managing risk and in particular they are encouraged to report incidents, hazards and risks without fear. At Foster's the management of risk is not treated as a separate discrete function, but as an integrated ingredient in the way employees work.

A summary of the Risk and Assurance Framework is available on the Foster's website – [www.fostersgroup.com](http://www.fostersgroup.com)

The processes to support the Framework are under ongoing review, and include:

- ▶ An enterprise-wide risk management system to enable the identification, management and reporting of risk throughout the business. The model is consistent with ASX guidelines for risk management and the standard on risk management AS/NZS4360. The system deals with risk at all levels, including strategic, operational, compliance and financial risks;
- ▶ A compliance program where Group executives are required to bring certain matters to the attention of Directors on a six monthly basis or sooner where appropriate. The program requires specific executives to sign-off that all non-compliance with legal and regulatory obligations in their area of responsibility have been reported. The program covers all actual or potential non-compliance with legal or regulatory requirements, including anti-discrimination and sexual harassment, employee and industrial relations, environment and occupational health and safety. The Group takes its regulatory obligations seriously and looks for initiatives to improve its standard of compliance on an ongoing basis;
- ▶ A crisis and incident management system that facilitates the reporting of all incidents to management and the escalation of potentially serious issues that may affect the Group's operations, brands or corporate reputation, to more senior levels of management and appropriate corporate personnel. The system is designed to ensure that potentially critical issues are reported quickly and shared with the right people to enable the Group to implement an effective and timely response;

- ▶ Regular reports by management to Directors, both oral and written, in addition to the compliance reporting program that covers the financial standing, operating results and business risks of the Group.
- ▶ A Control Self Assessment process whereby relevant staff assess the effectiveness of the controls in the processes and systems they are responsible for administering in a fashion that assists the provision of the annual declaration referred to on page 14 of this Annual Report;
- ▶ A clearly defined organisation structure with approved authority limits;
- ▶ Annual budgeting and monthly reporting systems for all business units, which enable progress against the strategy and annual plan to be monitored, trends to be evaluated and variances to be addressed;
- ▶ Procedures relating to capital expenditure, asset and liability management;
- ▶ Policies to manage the financial risks, including hedging foreign exchange exposures;
- ▶ Appropriate due diligence procedures for corporate acquisitions and disposals;
- ▶ Risk engineering program that is aimed at reducing the risk of damage to property and interruption to business activities; and
- ▶ Comprehensive Group-wide insurance program that includes a captive insurance company.

#### *Risk and Compliance Committee*

The Risk and Compliance Committee consists entirely of independent non-executive Directors.

One of its members is required to be the Chairperson of the Audit Committee. It meets as required, normally at least four times per year – see page 13 for details. The Chairperson of the Board is not permitted to Chair this Committee.

The Committee's role is to assist the Board to:

- ▶ Actively promote ethical and responsible decision-making;
- ▶ Ensure that the Company recognises legal and other obligations to all legitimate stakeholders;
- ▶ Establish a sound system of risk oversight and management and internal control; and

- ▶ Ensure that the Company's systems and processes are properly controlled and functioning effectively.

#### *Internal audit*

Internal audit monitors the internal control framework Group-wide. The Risk and Compliance Committee approves the annual internal audit plan with respect to operational aspects, reviews reports and agreed actions, and ensures that planned audit activities are aligned to business risks. The Audit Committee oversees the process with respect to financial aspects.

#### **Principle 8: Remunerate fairly and responsibly**

##### *Human Resources Committee*

The Human Resources Committee consists entirely of independent non-executive Directors and meets as required and at least three times per year – see page 13 for details.

This Committee's role is to assist the Board to independently ensure that the Company establishes appropriate Human Resources strategies and policies consistent with best practices and business requirements, and adopts and complies with remuneration policies that:

- ▶ Attract, retain and motivate high calibre executives and Directors so as to encourage enhanced performance of the Company;
- ▶ Are consistent with the human resource needs of the Company;
- ▶ Motivate management to pursue the long term growth and success of the Company within an appropriate control framework; and
- ▶ Demonstrate a clear relationship between executive performance and remuneration.

##### *Remuneration Report*

The Remuneration Report, which has been included in the Directors' Report, provides information on the Group's remuneration policies and payment details for Directors and senior executives.