



Anything to declare?

A report examining disclosures about board reviews, identifying good practice and encouraging progress



Boardroom Partners



**CHARTERED SECRETARIES
AUSTRALIA**

Leaders in governance

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Foreword

Boardroom Partners and Chartered Secretaries Australia (CSA) are pleased to have conducted this first-ever audit of the disclosure of board performance reviews of ASX 200 companies.

Both organisations are committed to improving the governance practice of Australian companies and see this report as assisting companies in their understanding of the practices other listed companies are using. We have built upon similar research undertaken in 2009 by the Institute of Chartered Secretaries and Administrators (ICSA) in the United Kingdom. Because of this, readers can gain an insight into the practices of Australian companies as well as those in the United Kingdom using a similar methodology.

As stated, in addition to reviewing annual reports, we were able to meet with a number of organisations that gave their time and accordingly enabled a much more detailed review. We are grateful for the cooperation we received from them. These in-depth interviews enabled the research to go beyond published information to add a greater depth to the findings.

Disclosure is the cornerstone of an efficient market and is the essence upon which the ASX Corporate Governance Council's (ASXCGC) *Corporate Governance Principles and Recommendations* (the guidelines) are based. The Council's guidelines have had a significant impact on the quality and extent of governance disclosure since their inception in 2003. The guidelines have encouraged companies to introduce governance practices, such as board performance reviews, that have no doubt improved board effectiveness and given investors greater confidence about the companies in which they invest.

As the research has highlighted, the ASXCGC's guidelines have had a positive influence in encouraging an increasing number of boards to undertake detailed board performance reviews. More than half of all companies met or exceeded the ASXCGC's requirements. Not surprisingly companies in the ASX top 50 generally exceeded requirements. Nevertheless there were examples of misunderstanding or of reporting that was boilerplate in nature. We noted that the smaller the company, the greater the tendency to under-disclose.

It must be acknowledged that many companies conducted board performance reviews well before the ASXCGC's guidelines were published and they continue to do so. But it must also be acknowledged that, for too many companies, there is still a long way to go. Good governance can have a dramatic impact on the culture of an organisation and disclosure of governance practices can add to investors' confidence that the culture of the company they invest in accords with their expectations.

Our research has highlighted the need to clarify what various stakeholders require in terms of effective disclosure about board reviews.

We hope that this report will be a useful addition to Australia's corporate governance landscape. The ASXCGC's guidelines have had a positive impact on governance reporting and we see comparative analyses such as this as critical in improving the guidelines, boardroom practice and investor confidence in the market.



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Executive summary

In the world of corporate accountability in Australia, there have been significant developments in recent times. Nowhere is this truer than in the area of board reviews, which are now more common than ever before. Indeed, as this report shows, reviews of board performance are now almost a universal phenomenon among leading public companies.

It is one thing to conduct a review. It is another thing to disclose information publicly about that review. The recommendation of the ASXCGC is that 'Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.'

This report finds that, among Australia's leading public companies, there is considerable variety in both the practice and the disclosure of board reviews.

From their own public information, it is apparent that many companies are making a genuine effort to follow both the letter and the spirit of the recommendation. They are using disclosure to demonstrate to their various stakeholders the seriousness with which they take their boards' performance. Indeed, it is apparent that the effect of the recommendation has been to encourage an increasing number of boards to undertake detailed board reviews. More than half of all companies met or exceeded the ASXCGC's requirements.

Nevertheless, a number of companies still disclose only minimal information about their board reviews. There is clearly a widespread and genuine concern about confidential issues being made public. Given that a significant number of large listed companies have been able to overcome that concern, it would appear that others either do not understand the recommendation or are unable to meet it.

Public companies in the UK are further advanced in this area of disclosure of board review practice. They provide some excellent examples of good practice, which are included in Appendix 6 of this report. However, as our report shows, several Australian companies are excellent exemplars as well.

We hope that this report will reach a wide corporate audience and that our research findings provide helpful comparative information for board members and company secretaries. Just as importantly, we hope that an additional outcome of the report will be an explanatory or additional note from the ASXCGC, clarifying that disclosures are to include the *fact* of review rather than merely an intention or standard policy. ■

Introduction

Reviewing the performance and contribution of corporate boards has been recommended as ‘good practice’ for some years now.¹ In Australia, evaluation methodologies are well developed and there are many options available today for boards wishing to consider how they ‘add value’ or compare with other boards.

Board evaluation is a key element of corporate governance, although it is apparent that there is a wide range of approaches to this potentially highly sensitive area. At best, a review will provide a board with meaningful information for development and the future; at worst, it will be a waste of time and resources.

Research in Australia² and the UK³ has already explored the form, content and practice of board evaluations, and identified what makes for a worthwhile review. Industry bodies, institutional investors and regulators all reinforce the need for rigorous reviews and guidelines are becoming increasingly specific. The latest UK *Guidance on Board Effectiveness*⁴ includes highly detailed recommendations for board use. In 2009, ICSA published a review of the disclosure statements of the top 200 FTSE companies, illustrating wide variety not only in the practices of review, but also in the approach to disclosure.

In Australia, where the recommendation is: ‘Companies should disclose the process for evaluating the performance of the board, its committees and individual directors’⁵, the same variety exists.

With this in mind, Boardroom Partners and CSA have partnered to investigate the evolving approaches to disclosure of board review in this country. While others have looked at aspects of this issue, we offer this report as the first comprehensive analysis of the disclosures of Australia’s leading 200 corporations.

This report includes complete (board review) disclosure statements from 200 annual reports; our assessments of each statement as either meeting, exceeding or failing to meet the disclosure requirements; and discussion with board directors and company secretaries of some of these companies regarding the relationship between disclosures and the practices of review. ■

¹ OECD Guidelines, 2009; ASX Corporate Governance Council *Corporate Governance Principles and Recommendations*, 2nd ed, 2007; *Walker Review of Corporate Governance in the UK banking industry*, 2009

² Australian Council of Superannuation Investors and UTS Centre for Corporate Governance, 2010, *Board Performance and Effectiveness*

³ Association of British Insurers, 2012, *Report on Board Effectiveness*; IDDA UK 2012, *Board Dynamics — Evaluating Board Effectiveness*

⁴ Financial Reporting Council UK *Guidance on Board Effectiveness*, March 2011

⁵ ASX Corporate Governance Council *Corporate Governance Principles and Recommendations*, 2nd ed, Recommendation 2.5

Research background

Internationally there is growing acceptance of the value of board performance evaluation as a part of good governance. The practice of review is still evolving and this evolution is coupled with the requirement to disclose information about the extent and form of any board review activity. While some boards have initiated sophisticated and highly effective reviews, others remain unconvinced of the benefit of any formal process.

Similarly with disclosures; in 2009, ICSA published a review of the disclosure statements of the top 200 FTSE listed companies' board review practices. These showed enormous variation in the approach to disclosure, and provided a comprehensive reference point for all companies to assess their own approach. Professor John Roberts, now at the Business School at the University of Sydney, had previously worked with Derek Higgs on his review of UK listed company board governance. He suggested that the continuum of disclosure ranges from 'extensive to defensive' and represents quite different beliefs about the value of disclosure.

ICSA followed its publication of the top 200 disclosures with a report prepared on *Boardroom Behaviours*⁶ as a response to the Walker Review and noted that, despite much progress with governance reform, there were still a number of problems at board level, sometimes in well run companies. The most relevant of these is 'disclosure failed to inform stakeholders sufficiently'. ICSA concludes with a suggestion that the area of 'appropriate boardroom behaviour' may warrant the issue of a best practice guide as an adjunct to the existing UK Corporate Governance Code.

The Association of British Insurers (ABI) has also issued a research report on the top 350 FTSE listed companies, identifying three core areas for attention: board diversity, succession planning and board evaluation. The ABI makes a number of highly specific recommendations relating to board evaluation that might well be considered in Australia within the next few years. Included in these are year-on-year follow-up with previous disclosures and a greater focus on outcomes from a review.

In Australia, listed companies have accepted and responded well to the 'if not, why not' approach advocated by the ASXCGC over the past eight years and reporting levels overall have been high.

The disclosure requirement concerning board review was first introduced in the ASXCGC *Corporate Governance and Best Practice Recommendations* in 2003 and is now found in the second (2007) edition (and second edition with amendments published in 2010). It is: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors'.

The ASXCGC has overall responsibility for monitoring implementation of its 'if not, why not' regime, but does not focus on the content of disclosure; rather on the fact that a disclosure has been made.

Compliance levels have steadily risen since the introduction of the ASXCGC guidelines and remain consistently high. Overall reporting levels of the top 200 listed companies, against all 27 of the recommendations was 98 per cent⁷ according to the 2010 review by ASXCGC, as shown in Figure 1.

It is worth noting that the focus of this report (Recommendation 2.5) is one of the few with a slightly lower level of reporting than most others.

Australian researchers have focused on many issues, largely driven by shareholders'/investors' interest in particular disclosures. These issues include compliance and reporting levels; the correlation between good governance and company performance; disclosure levels as a measure of transparency; and the links between company performance and regular review. Much current research is focused on various aspects of board diversity and performance, including management of remuneration frameworks as a measure of board decision-making.

Particular research that is relevant to the disclosure of board review practices includes the Australian Council of

⁶ ICSA, 2009, *Boardroom Behaviours: A Report prepared for Sir David Walker*

⁷ *Analysis of Corporate Governance Disclosures in Annual Reports for Year Ended 30 June 2010*, ASX Compliance, p 3

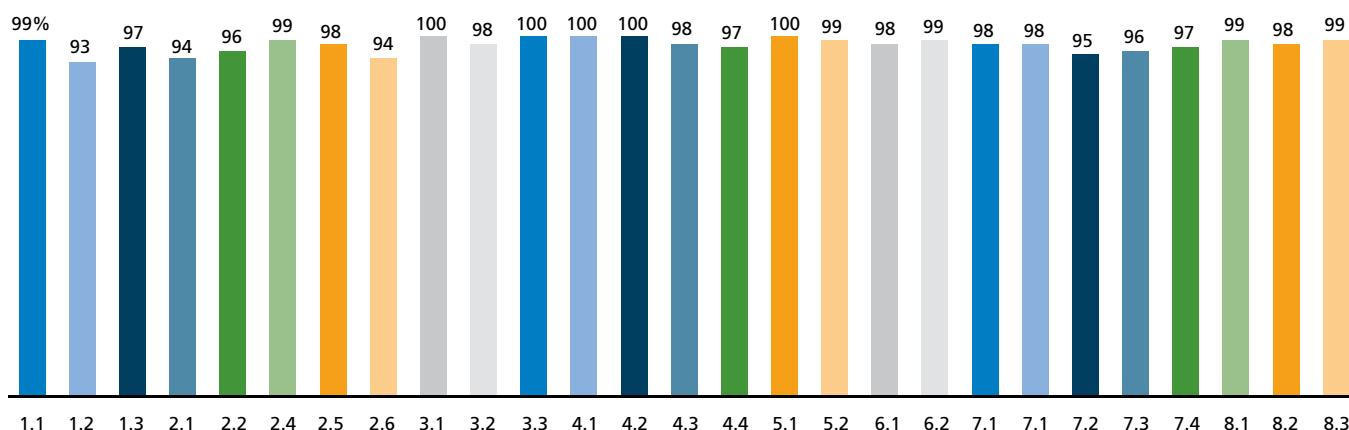


Figure 1: Summary of reporting by recommendations — top 200 entities in 2010 review

Superannuation Investors' (ACSI) report *Board Performance and Effectiveness* that compared practice in Australia with other countries and concluded that:

board evaluation is becoming widely established in companies internationally, and in large Australian corporations the commitment and rigour surrounding board evaluation is increasing. Board evaluation processes may have proved nominal in the past but presently board evaluation in large corporations is seen as an essential tool to assist in achieving better board performance and effectiveness.⁸

In May 2011, Grant Thornton released a *Reporting Review*⁹ on corporate governance in the ASX 500 for the year ended 30 June 2010 and in its analysis of disclosures found marginal change from the previous year, commenting overall that:

Compliance for this recommendation (2.5) remains high with the majority of organisations disclosing the process for evaluating board, committee and individual directors' performance.

Details and examples were not part of their report.

So, while there is broad acceptance of the requirement to disclose, and some monitoring of the rate of compliance, there has been little investigation of the extent and content of disclosure in relation to the review of board performance as required by the ASXCGC.

This report looks beyond compliance to examine the extent of disclosures provided in 2011 annual reports as a means of assessing the take-up with the 'spirit' of the recommendation, rather than the requirement. In this way,

we believe it is possible to better understand a board's approach to accountability and stewardship.

Why this research?

Given the opportunity for comparison with another similar governance regime, and the interest in board review as a developing body of practice, Boardroom Partners and CSA have combined resources to conduct a full audit of the top 200 disclosure statements as they relate to board review. Our research is of the top 200 listed companies according to market capitalisation as of 13 January 2012. As four of those companies ceased operating during the research period, four additional companies (201 – 204) were included to make up the 200.

A full list of companies included in this research (by market capitalisation) is shown in Appendix 1.

Of these 200 companies, our research found that 197 (99 per cent) provided some form of disclosure against Recommendation 2.5. Three companies (iiNet Ltd, Sedgman Ltd and Resolute Mining Ltd) made no reference to board review in their annual reports. It must be pointed out that this report is required under Listing Rule 4.10.3, which governs disclosures against the ASXCGC recommendations.

Our report findings are therefore based on the disclosures of 197 of the ASX Top 200 company reports.

⁸ ACSI and UTS Centre for Corporate Governance, 2010, *Board Performance and Effectiveness*

⁹ Grant Thornton, *Reporting Review — Corporate Governance*, 2011

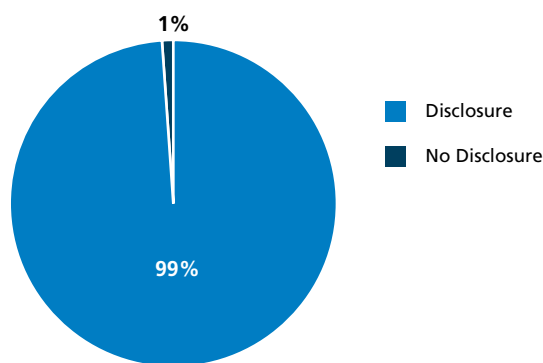


Figure 2: Existence of disclosure against Recommendation 2.5

We found great variety in terms of length, content, form and placement of disclosure statements in the 197 annual reports. Many disclosures were lengthy and yet did not address the requirements of the ASXCGC. Others met the requirements and went on to elaborate on the process, results or benefits.

Recommendation 2.5 requires disclosure against four dimensions shown in Table 1 (2, 3, 4 and 5).

When the 197 disclosures were viewed in total, it was clear that many companies had not actually undertaken a review in the reporting period, but described the process they planned to use, or had used in previous years. To be rated as meeting all disclosure requirements, we have therefore added as a threshold 'Was a review conducted in the reporting period?'. If this is not the case, then the disclosure is empty, and would be improved by a simple acknowledgment that no review was conducted in the period.

Other information provided in disclosures was collated and reviewed, and sorted under additional (non-essential) five dimensions. This is shown in Table 1.

As previously stated, we believe this first dimension is critical and needs to be included in the guidance on disclosure. Reporting on the fact of a review would add immeasurably to the value of statements without adding any additional effort or time.

Our overall assessment of disclosures resulted in three ratings: companies met, did not meet or exceeded requirements. 'Meeting' required disclosure against all five (green) questions. 'Did not meet' meant that one or more

Table 1: Dimensions of disclosures and extent of disclosure against each

DIMENSION	SOURCE	RESULTS
1.Has a review been undertaken in the reporting period?	Research project threshold question	165 (84%)
2.Is any description of the overall review provided (that is, internal/external)?	ASXCGC requirement	184 (93%)
3.What is the process for review of the board?	ASXCGC requirement	187 (95%)
4.What is the process for the review of board committees?	ASXCGC requirement	144 (73%)
5.What is the process for the review of the directors?	ASXCGC requirement	155 (79%)
ADDITIONAL INFORMATION PROVIDED IN DISCLOSURES		
6.Is the methodology described (that is surveys, interviews)?	Non-essential	96 (45%)
7.Are any objectives of the review disclosed? That is, what was the intention?	Non-essential	87 (44%)
8.Are there any results or actions following the review?	Non-essential	21 (11%)
9.Is there any rationale for the methodology or process chosen?	Non-essential	20 (10%)
10.Is there any stated value or benefit of review?	Non-essential	24 (12%)

of the five questions was not addressed. 'Exceeding' meant that all five (green) dimensions were addressed and further information was supplied in one or more of the (blue) other dimensions.

Nineteen (ten per cent) of all company disclosures fall into the 'meet requirements' category, with a further 89 companies (45 per cent) providing additional information, over and above that required. These additional disclosures generally indicate some belief in both the process of review and the benefits of transparency, over and above that formally required. The remaining 89 companies (45 per cent) failed to meet some or all of the requirements. Overall, these figures indicate a strong uptake of the recommendation.

All 197 company disclosures have been assessed as either 'not meeting', 'meeting' or 'exceeding' the disclosure requirement. These ratings are shown in full at Appendix 2.

A full description of the methodology for this research is included in Appendix 3. ■

Key findings

Overall, the uptake of the disclosure requirement has been successful. While there is still a surprising number of companies (89, or 45 per cent) that do not specifically address all the requirements of disclosure, most have attempted to provide some information, while others warrant close observation over the next year of two to clarify if their failure to disclose in 2010–2011 annual reports was an oversight or a deliberate statement of non-compliance.

The wording of the ASXCGC recommendation invites some unhelpful disclosure. For example, our research shows that 165 companies (84 per cent) conducted a review in the reporting period. However, 184 (93 per cent) disclose the process for review and 187 (95 per cent) describe the review of the board. These statements are either ‘what we did in previous years’ or ‘what we would do if we were going to do a review’.

We suggest that a threshold for compliance with the spirit of the ASXCGC’s recommendation needs to be ‘*Was a review conducted in the reporting period?*’ ahead of the detail of the review, as currently required.

Among those interviewed, there is a consistent belief in the value of review and in the subsequent disclosure of the process. There is much less consistency about what is appropriate to disclose, what is useful and what is not. There are some very different interpretations of why disclosure is valid and what it is intended to demonstrate.

While I hear lots of noise about the review issue (some is resistance), I do believe the core is changing and that there are very different expectations of boards today. No longer are boards just rooms of faceless men — we are all so much more accountable — and that is a real change. Having to speak at an AGM, for instance, to introduce myself and speak about what I bring to the board is a tremendous opportunity — but years ago that would have been seen as a serious threat! We are all a lot more engaged with our boards these days and in finding where we can make a difference to the business.

[Company director](#)

All directors interviewed noted that reviews are now common practice across all sectors. While our interviews

were arranged only with members of the top 200 boards featured in this research, all of these directors sit on other boards — in private companies, on government boards and in the not-for-profit sector. Boards in all sectors have now taken up the process of review. Increasingly, as there is generational change on boards, attitudes and behaviours are changing too. Companies, which in the past have been resistant to transparency and disclosure, are now obliged to explain any reason for non-compliance with recommended practice.

I have worked with many directors over the years who have regarded review as an unnecessary evil and who have dedicated time to resisting any attempts to introduce the practice — ‘not on my watch’ is a term I have not heard in the last few years whereas it used to be quite common. Don’t know if it means those individuals have gone or their behaviour has changed.

[Company director](#)

I am pleased to see this change — now there is a much greater recognition that it is better to get ahead of the game — be on the front foot rather than explaining why we didn’t get around to initiating a review ourselves.

[Company director](#)

Attitudes appear to be changing following the introduction of these mandated processes. Boards are starting to identify benefits of performance evaluations.

There are still some directors who see that this should all be done and kept behind closed doors but we all know that sunshine is the best thing for a wound and these secretive attitudes are slowly changing.

[Company director](#)

This is all about an improvement. I can recall a number of situations where chairs have spoken to me about the difficulty of having a director recognise that their contributions are no longer relevant or that they have simply become out of date. This is very difficult to manage on a board where camaraderie and working as a team is so fundamental. But this formal mechanism has given all of us the rationale to consider performance on a regular basis without having to justify it and explain the need and sometimes make directors even more apprehensive about the basis for the review. Now it is

simply a given and factored into ‘how we do things around here’ and has led to a much more open and performance-orientated way of operating.

Company director

More than half of the companies (108, 55 per cent) meet or more than meet requirements – see Figure 3. Most of those who do not fully disclose have included statements about board review, but these are either lacking in detail, missing some important aspect, are generic or not tied to any particular actions (planned or completed).

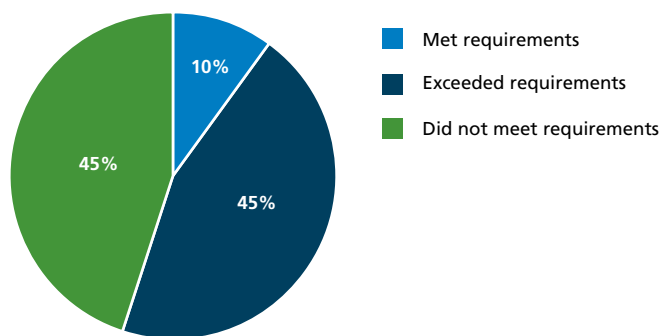


Figure 3: Performance against disclosure requirements

There does appear to be some ongoing confusion between ‘disclosing’ and ‘doing’. Interviews and disclosures suggested that board reviews are not only regularly undertaken but also valued. Moreover, the various aspects of Recommendation 2.5 are incorporated in the review process. However, a number of companies avoided mention

of an action if it was not taken (giving a ‘did not disclose’ result), rather than including a statement explaining *why* an action was not taken in the preceding 12 months.

Disclosure against the ten dimensions by companies is shown in Figure 4.

As would be expected, the top 50 boards have overall higher rates of disclosure than smaller companies, and this is largely true for all aspects of disclosure (that is, those not investigated in this research). There is a general downward trend of disclosures as the size of the company reduces – see Figure 5.

There are no similar trends across industries, and no particular market segments that can be differentiated in any way in terms of disclosure.

Given that the intention of the ASXCGC recommendations was to ensure better and fuller information in the public domain about company governance, it is worth noting that some of these disclosures are hard to find; some are ‘boilerplate’ disclosures and do not add any value beyond compliance; some reflect a set process that is mechanical and repetitive; and some are clearly written by others who have not been involved in the process of review, merely assigned the task of recording its completion.

Interestingly, while all the directors, chairs and company secretaries interviewed are strongly in favour of the value of a review, there are mixed opinions about the most suitable approach to disclosure. Some are committed to full disclosure of process without reference to outcomes and others see broad outcomes as important to disclose.

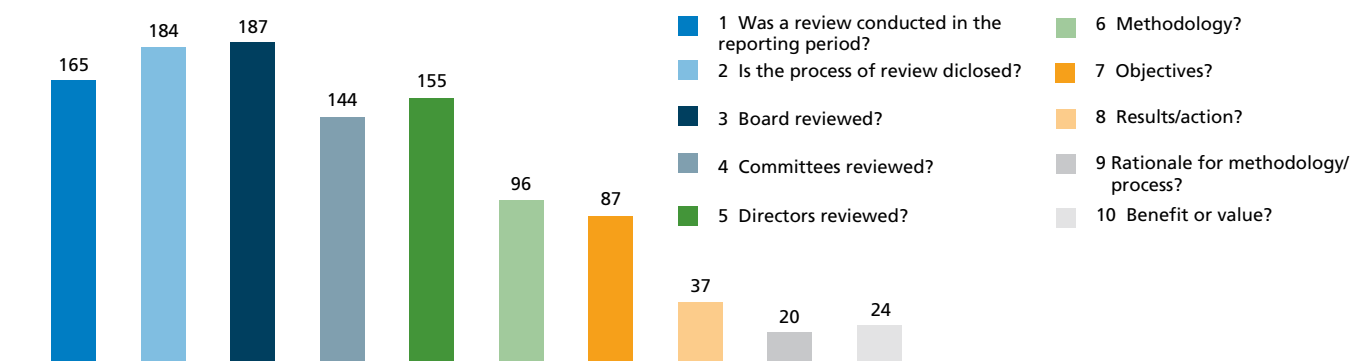


Figure 4: Frequency of specific dimensions of disclosure

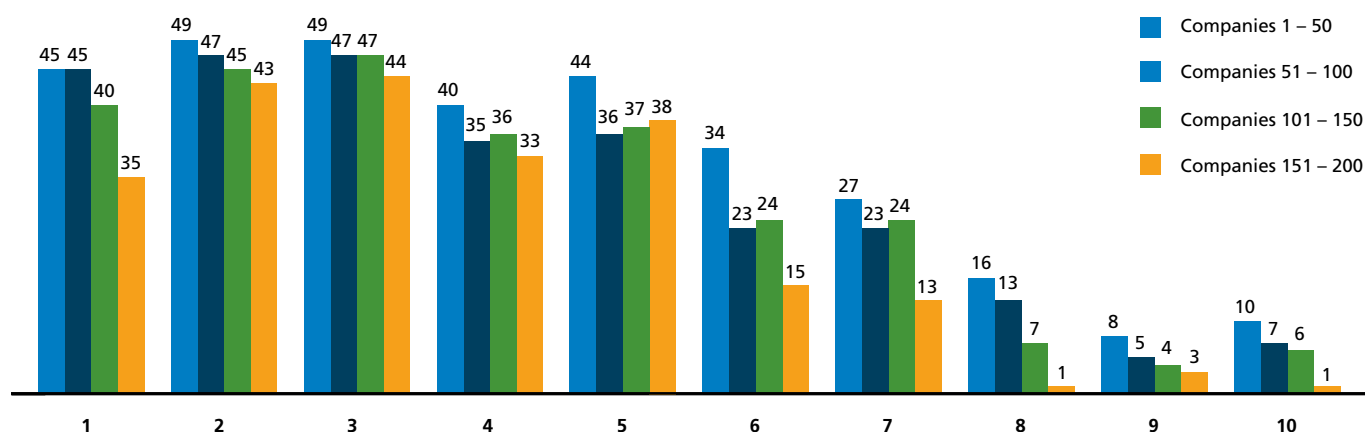


Figure 5: Disclosure against dimensions by size of company

Only a few see a way to disclose anything beyond broad outcomes without compromising either confidential or commercial information, while many acknowledge the need to be more detailed in descriptions for the sake of greater accountability.

It is also fair to say that none is looking for greater prescription in what, how or where to disclose and see the existing requirements as being significant and, in some instances, a burden without necessarily adding any demonstrable value. There were mixed views on this matter.

Significantly 32, or 16 per cent of, boards do not state whether or not a review was conducted in the reporting period. As already discussed, this disclosure would seem to be a basic premise on which to base any further commentary, yet many overlook this factual statement, or use the opportunity to describe what might be, rather than what is.

In interviews with chairs, directors and company secretaries, there was a shared belief in the value of review, but not necessarily a full-scale review on an annual basis. This is a perfectly legitimate and acceptable disclosure to make, although few companies do so.

A very high number, 184 (93 per cent), disclosed some detail about the process of review such as using an external facilitator or managing the process themselves. Future research would be valuable to explore the content of these disclosures and identify changing practices over time. The disclosure requirement is still quite recent in Australia and while many boards have embraced the

concept, others are reluctant to provide information that could be misconstrued or possibly breach important board confidentiality and trust.

It is worth noting that there is some (understandable) concern about overly prescribing the content of disclosure.

It is important to differentiate between volume and quality. It is very easy to write reams of words without saying anything that is informative. We have all seen this with remuneration reports where some of that language has become so complicated that hardly anyone understands them. The genie is out of the bottle there and we don't want to go down the same route with reporting on reviews or with governance disclosures in general.

Company director

There is, however, consensus that the direction of governance reform and disclosure is both welcome and of value for boards in general.

Overall, disclosure is a good thing. It teases out what is often said and formalises it so that an approach is agreed. It also means that the bar is continually lifted as well as giving everyone the opportunity to learn from others. I think we have to accept that, in this day and age, it is pretty unlikely that annual reports are going to be thoroughly read, but information needs to be there so people who are interested can cherry pick and find the information that they need for their decision-making.

Company director

Only 37 companies (19 per cent) disclosed either the results or any actions arising from the review, even in a generic way.

The prevailing view among chairs and directors interviewed is that it is preferable to describe process and give assurance that the board is actively engaged, rather than disclosing actual results that could expose vulnerabilities or be seen as weaknesses. This is a different belief to that in the UK where, under a similar disclosure regime, there is a greater requirement to focus on outcomes with year-on-year monitoring of outcomes and follow-up.

The requirement to disclose the extent of the review (whole board; board committees and individual directors) is relatively new and is proving challenging for many boards. The most common review description is of the full board (187, 95 per cent), which is the longest established requirement. Fewer companies (144, 73 per cent) have disclosed a review process of board committees, although this is still a good take-up of the recommendation. A solid majority of companies (155, 79 per cent) disclose that their reviews include individual performance/contribution assessment. Again, this focus has become more important as the (re)-election process at annual general meetings (AGMs) is more open to scrutiny, with directors having the opportunity to describe their 'claim' to the role, and provide evidence of suitability for the particular board.

Almost half (96, 49 per cent) of disclosures include some detail of the methodology or approach used; others simply state a review was completed. Again, this is well within most board members' 'comfort level' and could not be regarded as confidential or commercially sensitive. Boards that do not disclose this information could be seen as overly defensive or even secretive. These disclosure levels indicate that both the practice of review and its subsequent disclosure are becoming embedded in Australian listed company board behaviour, yet some confusion or reluctance to disclose remains.

Less than half (87, 44 per cent) disclosed what the review was designed to achieve, demonstrating an appreciation of the potential benefits of the process. This is at odds with the views expressed by chairs, directors and company secretaries where all spoke of the advantages of regular review and expressed ideas about what the process can provide to a board in terms of development.

A minority of companies (20, ten per cent) chose to explain the background to selecting a particular approach or methodology. Finally, 24 (12 per cent) of statements included some affirmation of the value of review, perceived benefit or commitment to the process as a useful discipline for the board.

Each of these dimensions is discussed more in the following pages, with examples from disclosure statements used by way of illustration and quotes from interviews with company chairs, directors and company secretaries included to highlight the practical approaches taken and individual opinions of those participating in these reviews. ■

Detailed findings

1) Was a review conducted in the reporting period?

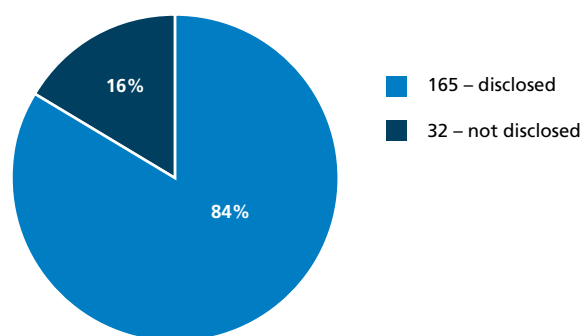


Figure 6: Was a review conducted in the reporting period?

Most companies (165, 84 per cent) made direct reference to a performance evaluation being conducted within the reporting period.

An assessment in accordance with this process was undertaken during May 2011.

[Specialty Fashion Group Ltd](#)

This simple statement is adequate and states clearly that a review actually was conducted. Nothing more elaborate is required.

Despite this, 35 companies (18 per cent) neglected to disclose whether or not a review was conducted — either statement would qualify as a disclosure. This is an example of the confusion we believe still exists between the ‘doing’ and the ‘disclosing’ — the very basis of the ‘if not, why not’ model. In Australia, most boards would undertake some kind of review on a regular basis, as evidenced by the data here and reinforced in interviews. As mentioned previously, we see this as a weakness in the current disclosure requirement that allows boards to describe what might be done in the future, or to repeat a statement from years past.

Many boards would undertake a significant (external) review perhaps every three years and intersperse this with internal reviews to track progress and chart the benchmarks. A valid disclosure in these circumstances would explain that, as there was an external review in the previous year, this year the board was reviewing its own progress against milestones and considering if a further external review would be useful in the following year. Very few companies made disclosures along these lines. There were many statements, however, that provided no assurance for investors that a review had ever or would ever be conducted. For example:

The board periodically undertakes formal evaluation of its performance and the operation of its committees.

[SP AusNet](#)

The board has implemented a process for the regular review of its overall performance, consistent with ASX Corporate Governance Council Recommendation 2.5.

[K&S Corporation](#)

The disclosures of the 197 companies are discussed below, with some comment from the chairs, directors and company secretaries added for further explanation, where appropriate.

Results for each of the ten dimensions are shown separately.

Terms such as ‘periodically’ and ‘regularly’ are not helpful, and could be seen as deliberately avoiding disclosure. As noted in the recent IDDAS review, *Board Effectiveness*:

Investors may draw their own conclusions as to why some reporting is brief. It could be that a perfectly acceptable review has taken place, but the lack of detail could just as well mask complacency on the part of the chairman, or cast doubt on the quality of the evaluation itself.¹⁰

2) The process of review — that is, internal or external?

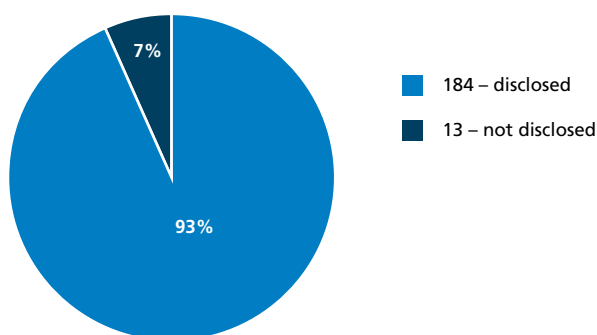


Figure 7: The process of review — that is, internal or external

This question had a high rate of disclosure with 184 companies (93 per cent) disclosing the process of review. Very little detail was required to answer this question. From the disclosures, it appears that there is a mix of self-conducted reviews and those facilitated by an external party. Again, this is in line with ASXCGC recommendations, although we note that these are not as prescriptive as those in the UK (for the FTSE 300) where there is an expectation that every third year will involve an independent reviewer, with reviews in the years in between being managed internally.

Examples of simple (complying) disclosure statements follow.

The board undertakes an annual self-assessment of its collective performance, the performance of the chair and of its committees.

[Bradken Ltd](#)

During the reporting period, the board engaged an external advisor who assisted in the conduct of reviews of the board as a whole, its committees and its individual directors.

[Woolworths Ltd](#)

Interestingly, the ABI Report¹¹ on the state of board evaluations in the UK notes that the use of external evaluators is increasing, with analysis showing that external evaluations in the FTSE 100 and FTSE 250 increased by 7.2 per cent and 9.8 per cent respectively. This is likely to reflect the UK Corporate Governance Code requirement that stipulates the use of an external party every third year for FTSE 350 companies. While this requirement

does not exist in Australia, there is general agreement about the benefit of having an independent assessment of performance.

As one of the directors interviewed explained:

Bringing in an outsider to get an injection of new thoughts, ideas and opinions is valuable — as is an independent third party interviewing directors.

And another:

I have seen boards where the committees are reviewed just by themselves and this is really a self-serving waste of time. Anyone reading about a board that continued to review itself would have to wonder what it is they have to hide.

From those organising the process, there was a noticeable difference too.

Our board did internal reviews until recently, and when it was conducted externally there was a huge difference in the outcomes and the action on outcomes.

[Company secretary](#)

While all board members and company secretaries interviewed were positive about review and the subsequent disclosure, some other board members declined to be involved in the project, perhaps indicating less enthusiasm for the practice of either review or disclosure. To illustrate this view, we use a quote from the IDDAS research.

There are some who still say: 'this is a waste of time; the chairman and the CEO need to get on' or, 'We should do this over a cup of coffee'. People would say if there was a problem.¹²

This remains an issue in Australia too, where many disclosures reveal an informal approach or only an internal process where the board reflects on its own performance 'from time to time'. This reticent approach does now appear to have been largely superseded by companies engaging with the spirit of review rather than simply the words.

The next three questions relate to the scope of any review. Just over half of the companies (109, 56 per cent) addressed all three requirements, that is review of board; committees and directors, separately. Many companies (162, 82 per cent) addressed one or two aspects and were silent on the third. Again, this suggests confusion between 'doing' and 'disclosing'. A perfectly acceptable disclosure might include a statement that the board and committees were reviewed, but not directors, as this was completed the year prior, and is undertaken every second year, or

¹¹ ABI, 2012, op cit
¹² IDDAS 2012

similar. A number of companies failed in being rated as meeting all their obligations simply because one of the three components was omitted.

While this is a simple oversight, we suggest that the wording of the recommendation could be improved, making the requirements absolutely clear and potentially improving the overall rate of compliance. The requirement includes a number of elements to be disclosed, but these are bundled together and for those not familiar with board review, compliance would require forensic attention by both writers and readers.

3) Did the disclosure refer to the review of the whole board?

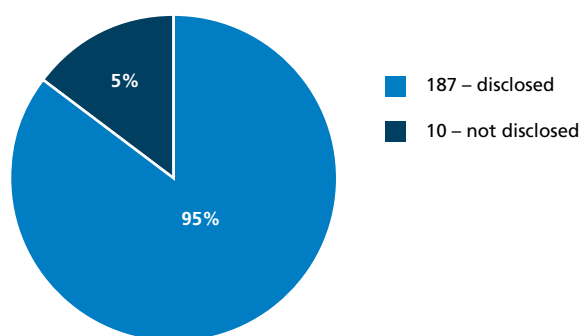


Figure 8: Did the disclosure refer to the review of the whole board?

This element had the highest rate of disclosure of all the requirements with 187 of the 197 companies (95 per cent) making reference to the review of the board — more than those who had actually completed a review.

Interview participants on the whole agreed with the ASXCGC recommendation that the review of all three elements — the board, board committees and individual directors — should be disclosed. However, there was no consistent view about the amount of detail that should be provided about these three individual processes.

Reports are already very long and I see that we are becoming overburdened with disclosure that does not necessarily add a lot of value. Who is really interested?

[Chair of company](#)

It should be a disclosure of the review process of the board as a whole. I would need to be convinced of the value of filling out the annual report with a page on the review process.

[Company secretary](#)

Most companies do it on a whole-of-board basis, and that's right, I think. You would not comment on every director every year, but there can be times when you need to make comment about individual directors. For example, it was important to introduce the lead independent director a few years ago when the chairman was retiring — this was a signal that we had a newish chair. So you disclose more detail as required.

[Company secretary](#)

Most years you'd hope that issues are not addressed through the board review but in the proper functioning of the board in real time. Like management performance reviews — you don't wait until the one time of the year to comment on performance, saving it all up for that time. You're considering performance all the time, dealing with that in real time all year.

[Company secretary](#)

4) Did the disclosure refer to the review of the board committees?

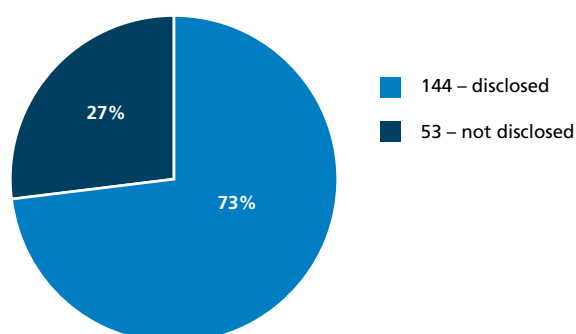


Figure 9: Did the disclosure refer to the review of the board committees?

Most disclosures (144, 73 per cent) referred to the process of review for board committees. Again, it must be pointed out that this could be a historical reference or a plan for the future — it is not a statement that committees have been reviewed.

All of the chairs, directors and company secretaries interviewed saw value in the separate review of board, committees and directors, although not necessarily every

year, but they certainly acknowledged the need to look at each on an individual basis.

A number of companies who have 'not met' the disclosure requirements according to this research have failed to address committee or director review, thereby not addressing all five elements. This is another example of the reluctance to take up the 'explain' option — choosing instead to make no reference to the matter and as a result they were 'marked down'. It also means that they missed an opportunity to provide information of interest to investors and, potentially, created a sense of 'hiding' information that is not conducive to building trust with investors.

5) Did the disclosure refer to the review of the individual directors?

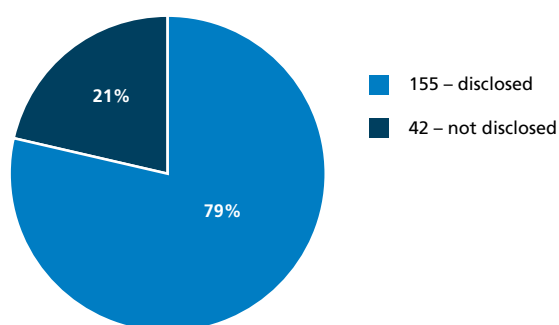


Figure 10: Did the disclosure refer to the review of the individual directors?

Some companies provided specific details about the review of one or more individual directors. For example, Origin Energy Ltd provided detail as follows.

The board reviewed the performance of Mr McCann and Mr Beeren who are standing for re-election at the annual general meeting in October 2011. The board found that Mr McCann and Mr Beeren have been high-performing directors and concluded that they should be proposed for re-election. Mr McCann and Mr Beeren abstained from deliberations for their respective reviews.

[Origin Energy Ltd](#)

More companies are describing the process for individual director review (than committee review), which represents significant progress in the past ten years when individual

director review was seen by some boards as tantamount to subversion, and certainly not conducive to the all-important collegiality of a board.

With 155 companies (79 per cent) describing the process for individual director review, there is a strong indication that there is a changed view on the legitimacy and value of assessing individual contributions to the overall performance of a board.

This has to be balanced against the wisdom of disclosing the outcomes of such detailed and personalised results.

The ultimate driver is to provide constructive feedback to directors as to how to improve board performance and I think that it would be detrimental to the frankness of directors' responses to a review if those responses were to be made public.

[Company secretary](#)

A few companies noted that the chair was engaged in continuous oversight of the performance of the board, its committees and individual directors. While continuous attention to performance is, of course, critical, it cannot be a substitute for a formal review process. Such an approach also does not provide for a review of the chairman's performance, which could be the critical element in assessing board performance.

In this context, the chair undertakes a continuous review of the performance and contribution of individual directors, whilst the board as a whole conducts an ongoing evaluation of its performance and that of its committee.

[A P Eagers Limited](#)

The chair is available to the board and to senior executives at any time to discuss board performance.

[Bank of Queensland Ltd](#)

An overdependence on the chair in driving the review process was found in some disclosures. The review process of some boards appeared to be dependent on the instigation of the chair. While this could be seen as a natural part of the responsibilities of a chair, it may also be that it can lead to a less than accurate disclosure.

Disclosure does not always reflect the practice of review — there can be quite a bit of glossing over — particularly with the evaluation of the chair [himself] — more 'honoured in the breach' in my experience, despite the fact that sometimes this would be exactly where a review was in fact really necessary.

[Company director](#)

The dynamics of a board may mean that some directors are uncomfortable raising performance issues directly with the chair. A formal performance review process — particularly a confidential, externally-facilitated review — is an opportunity for airing thoughts and concerns that may not otherwise be broached.

This raises the question of who reviews the reviewer. While the chair's role in conducting the review process is quite clearly articulated in many of the current disclosures, the process for reviewing the chair's performance is typically set out with either much less clarity or not addressed at all. Unlike the UK, where the senior independent director (SID) is a position on listed company boards, Australian boards do not have a consistent approach to managing the performance of the chair. While some boards explicitly describe how this is managed, most are silent on the matter, suggesting that it may not be a consideration or a topic for discussion by the board as a whole.

The board has delegated to the deputy chair responsibility for reviewing the results of the annual performance review of the chair.

[Australand Property Group](#)

The growing interest in the accountability and transparency of boards must extend to the role of the chair. Clear disclosure of the process for evaluating the chair can help to provide assurance that the board is actively engaged in good corporate governance practices.

Again, we suggest that if any changes were to be made to the ASXCGC guidelines, disclosing any process for the review of the chair would be a worthwhile inclusion. The majority of disclosures do not make any reference to where this responsibility lies or if it is allocated at all.

The 'why not's' — what are they telling us?

It is interesting to note that, of the companies who failed to meet the essential disclosure requirements, 55 have provided additional relevant information, while overlooking the basic aspects of the review as required by the ASXCGC.

Fifty-one companies in this category addressed four of the five of our 'essential disclosure requirements'. A number of companies, for example GUD Holdings Ltd, Leighton Holdings Ltd, Santos Ltd and Sims Metal Management Ltd, provided detail in disclosures yet failed to address the specific requirements.

We believe that many companies have made a real attempt to meet their disclosure obligations, but have missed one or other key aspect or detail. Improved wording of the Recommendation would go a long way to addressing this, we believe. By far the majority of these 89 companies have attempted to provide some information about the board review, although there are two companies who have addressed none of the requirements (yet have given other non-core information); one company that addressed one aspect only and 13 companies that disclosed against two of the five requirements. Presumably, it will be a logical step for these companies to continue along the road of increased disclosure.

There are, however, a number of companies that appear to have made no attempt to provide full or frank disclosure: CSG Ltd, Mount Gibson Iron Ltd and Programmed Maintenance Services all have been assessed as not meeting disclosure requirements and represent the opposite end of the 'did not meet' ratings to the companies listed above.

The board has also adopted policies with respect to independence and conflicts of interest, risk management, board performance evaluation, CEO performance evaluation, continuous disclosure and external communications and securities trading. Copies of these charters and policies are available to shareholders on request.

[CSG Ltd](#)

All disclosure statements are provided in full in the section starting at p 27 of this report.

Companies that fail to comply could either be confused about what is required, or be deliberate in non-compliance. We suggest these companies' disclosures are monitored in future years to ensure that the boards meet their accountability and stewardship obligations in relation to this important practice.

Above and beyond — additional disclosures and what they tell us

Beyond this point, companies that offered additional information (89, or 45 per cent) have been rated as 'exceeding' the disclosure requirements, and each of these dimensions is discussed on the following pages.

6) The methodology — surveys, interviews?

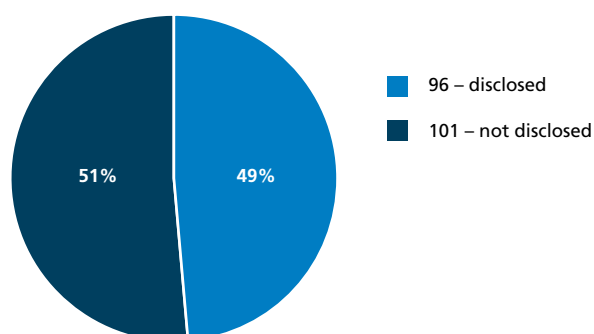


Figure 11: Disclosure of methodology

Ninety-six companies (49 per cent) reported the methodology adopted for the review process. Very brief statements — indicating, for example, whether interviews were conducted or a survey circulated — were considered sufficient to answer this question. Some boards were specific in describing their methodology; others provided only general statements such as the following:

In addition to individual evaluation session[s] between the chair and the individual directors, a formal self-evaluation questionnaire is used to facilitate the annual performance review process.

[QR National Ltd](#)

Boards use a variety of methodologies. Some boards take an informal approach such as holding discussions among the board members. Surveys commonly formed the basis of a disclosed review; some boards relied on interviews and discussions while others employed a combination of approaches.

This process is led by the chairman based on a formal questionnaire and evaluation provided to each board member.

[Newcrest Mining Ltd](#)

During 2010–2011 the board undertook an external performance review, which included a series of interviews with directors and executive management and board discussion

[Qantas Airways Ltd](#)

The board review process involves an annual assessment of the entire board and each director, comprising a combination of written questions and answers together with an interview with each director.

[QBE Insurance Group Ltd](#)

Understanding what the board is trying to achieve and what the approach is all about can provide some confidence about the authenticity of the process and commitment of the board to the discipline of review. On the other hand:

The chair conducts a lot of the reviews and decides what will be disclosed — they are the only person who makes that call. I try to influence the disclosure but am most often ignored.

[Company secretary](#)

7) The objectives of the review — that is, what was the intention?

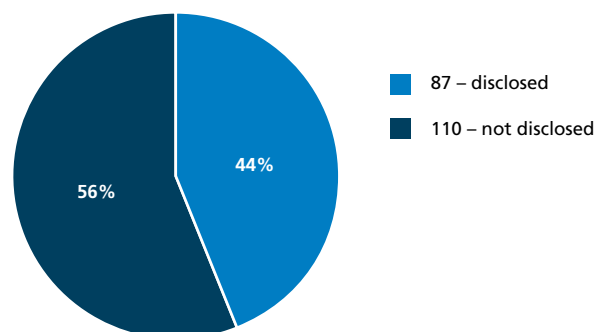


Figure 12: Disclosure of objectives of review

Forty-four per cent (87 companies) disclosed to some extent the issues that the review was addressing and why. This type of information can illustrate a board's engagement in the review process. It also pays more than lip service to the disclosure requirement.

The review focused on board composition and structure, information before the board, interaction between the board and management and between board members, and the board's role in developing strategy and overseeing business performance.

[Duluxgroup Ltd](#)

The evaluation is a useful tool for examining the role, composition, administration and effectiveness of the board and its committees. Evaluation information is used to build a skills matrix which outlines key issues in relation to directors' experience, knowledge and demographic details for the nomination and remuneration committee to identify gaps when planning board succession.

[Primary Health Care Ltd](#)

At interview, a company secretary succinctly reminded us what it is the disclosures are all about:

From the long-term perspective, investors need to know what the board issues are and if they are being addressed.

[Company secretary](#)

8) The results or actions following the review

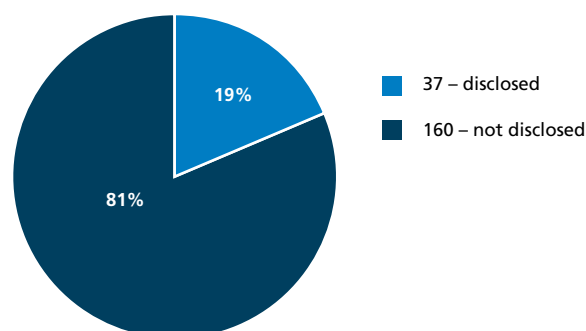


Figure 13: Disclosure of actions following review

The outcomes and agreed actions from a board review arguably provide the greatest insight into both the board's attitude towards corporate governance and the board's actual performance. Despite this only 24 companies (12 per cent) made a disclosure in line with this question. Significant variation was once again found within these disclosures. Some companies made quite general statements about outcomes and agreed actions:

Recommendations were subsequently made [to the INF board].

[Infigen Energy](#)

Others provided greater detail.

The resulting feedback and considerations of the assessment by the board has led to a review of board committees,

proposals for the future composition of the board and further director education.

[Warrnambool Cheese and Butter Factory Holdings Ltd](#)

The findings of this performance review have been considered by the board and have been, and continue to be, taken into account in identifying and nominating new candidates for appointment as director, and in planning and conducting board and committee matters.

[GUD Holdings Ltd](#)

Only 11 per cent (21 companies) disclosed the results of the review. Again, there was significant variation in what companies disclosed. Of those responding positively to this question, the majority either provided brief information or focused on process rather than outcomes. The disclosure of outcomes is clearly a sensitive issue and is addressed differently by different boards.

The board performance review conducted during the 2011 financial year indicated no major issues or concerns in relation to the board, its committees or individual director performance which required further attention.

[Pacific Brands Ltd](#)

This review provided satisfaction to the board that it is effective and appropriate to the company's circumstances.

[Reece Australia](#)

Fuller disclosure can be found in the following statement.

The overall conclusion was that the board and its committees are effective and are operating at a level that has surpassed the high level identified in the 2010 evaluation and that decisions are made in a timely manner.

[Metcash Ltd](#)

Many interview participants believed the occurrence of a review and the basic process undertaken is the most important information that can be disclosed. What should be included beyond this was open to debate.

A very difficult question — I do wonder about this — it is important to be clear that there was a process, and that the process was either internal or external and that it included a review of the whole board, of the directors and committees and if there was an independent review of the chair.

Beyond that, you are in very difficult territory.

[Chair of company](#)

I am in total agreement with the ASX Corporate Governance Council recommendations about the need for regular review and the need to disclose — otherwise these would simply not happen. However, I believe there is very limited value

in disclosing the outcomes of a review — there needs to be fulsome disclosure of the process — but the minute the disclosure steps ‘over the line’ then the process becomes useless and moves into being a ‘tick-box’ exercise.

[Chair of company](#)

The chair makes the final decision. I draft the statement and the board approves it as part of the annual report. Our corporate governance statement has been much the same for the last few years. We might change a few words, but the board is working well, so there is no need to change it much.

[Company secretary](#)

Who reads it? I am not sure who reads it — it is done to satisfy regulatory compliance.

[Company secretary](#)

All of this (disclosure at three levels) is important — it tells the outside world about the level of sophistication associated with a board and is a telling indicator for the pace of cultural change on that board. Obviously [in Australia] that change is still happening and needs to be driven — it will not occur by itself.

[Chair of company](#)

There was broad agreement that disclosure statements need to give the reader confidence that the board is doing all that it can to ensure that it is aiming for continually improved performance.

The disclosure needs to be enough to make the market feel comfortable that a robust process is in place to achieve good governance standards. The company needs to be as transparent as possible and keep the market informed, but the value lies in showing that the board has appropriate mechanisms in place.

[Company secretary](#)

There is no great value in massive explanation. Indeed, this may hamper the process. While there might be a disclosure that different skill sets are required, you would not want to disclose what they are in detail, as that could be competitively valued information. It would not advantage shareholders to disclose that. There is no value in disclosing the outcomes every year.

[Company secretary](#)

Significant concern was expressed over the need to maintain a high degree of confidentiality. Many directors and chairs suggested that the focus should be on process, while some felt there was scope to disclose non-contentious outcomes.

I do not see it as appropriate to disclose the weaknesses of the board or what are the areas for improvement. Every board has

areas for improvement and it is important to that these are acknowledged but not broadcast and potentially used for mischief or trouble making. It would be very easy to take statements out of context and use them for the wrong reason and so it is better to disclose the process fully and leave the outcomes.

[Chair of company](#)

It surprises me that many directors still feel so threatened by a review and see that they are on ‘a hiding to nothing’ from the advisers [proxy and governance] so there is a big resistance to the disclosure of any review outcomes.

[Company director](#)

A good review will highlight the good, the bad and the indifferent bits about a board and it is not reasonable to only disclose the good bits —so, better not to disclose anything.

[Chair of company](#)

The overwhelming view among directors was that detailed disclosure of outcomes and agreed actions is unrealistic given the nature of boardroom responsibilities. However, some company secretaries suggested that more complete disclosure of outcomes and agreed actions was appropriate and desirable.

What boards do not do well is provide the outcomes of reviews. They give you the fact of a review, but not what it contained. Obviously, the disclosure needs to maintain confidentiality to a large extent — you would not disclose the full detail of the review — but a good board will disclose two or three main themes.

[Company secretary](#)

Disclosure needs to maintain confidentiality to a large extent, but a good board will disclose main themes. But there is information that is too sensitive to disclose. We had a director who was very capable, but they grated with the CEO. The board supported the CEO and used to take issue with the director — that was patently wrong behaviour. When it came time for the board review, it was noted that the director had to go. Now this is clearly too sensitive to disclose. It would be pointless to disclose without the context. There was nothing wrong with that director, but if it had been disclosed that the review determined they had to go it would have looked like that director was problematic, and that would have caused reputation damage. But it was a personality clash. So there are many aspects that are too sensitive to disclose, as this is peers commenting on peers and the disclosure needs to be carefully balanced.

[Company secretary](#)

The disclosure should pick out two or three outcomes that the board is going to do and then they should do it. Otherwise there is no sanction from shareholders, no accountability and no time lines. In a management performance review, there is

always a timeframe for improvement and it should be no different.

[Company secretary](#)

Significant concern was expressed over the need to maintain a high degree of confidentiality. There are strong philosophical differences between boards on what can and should be disclosed. Many directors and chairs suggested the focus should be on process, some felt there was scope to disclose non-contentious outcomes.

It was suggested that detailed disclosure of outcomes and agreed actions was unrealistic given the nature of the boardrooms.

It is a long cycle between a bad board and bad results for the company and so it is very hard to link board and company performance in the short term.

[Chair of company](#)

The disclosure requirement provides an opportunity for companies to demonstrate their commitment to sound corporate governance. It does not prescribe what information needs to be provided. Rather it allows flexibility in shaping statements to particular circumstances. With this in mind, what is not said may be just as, if not more, revealing than what is. Companies that continue to gloss over the outcomes of the review process with statements such as 'The board was found to be operating effectively' fail to demonstrate any real commitment to performance reviews. There is clearly an opportunity to safely provide more information without compromising confidentiality.

Questions arise.

- Can more be said without revealing sensitive information or producing an excessively long statement?
- Are boards being more defensive than they need be?

Disclosure has influenced practice. Non-executive directors (NEDs) generally sit on more than one board and they bring that knowledge to their other boards. There is more disclosure than there was five years ago and the quality of disclosure is better than it was five years ago. But too much disclosure can be too much.

[Company secretary](#)

The disclosure needs to be enough to make the market feel comfortable that a robust process is in place to achieve good governance standards.

[Company secretary](#)

Macarthur Coal Ltd provides an excellent example of how findings of a review can be communicated effectively. This example illustrates a rigorous review process and a genuine commitment to performance.

An evaluation of board performance, managed by the chair, was undertaken in June 2011. There were four areas of focus in this year's evaluation and a summary of the outcomes is as shown ...

Strengths of the board

The review confirmed that the strengths of the board include a diverse range of skills, knowledge and experience, an ability to discuss issues openly, an effective and open working relationship with management and a strong contribution to oversight of the company by all members of the board.

Major achievements

Major achievements of the board over the past 12 months were identified as maintaining a focus on strategic growth through both organic growth ... and acquisitions ... and development of a corporate strategic plan to underpin long-term shareholder value.

Areas of board focus

Areas identified for board focus in 2012 include succession planning, building a safety culture and links between strategic implementation and key performance indicators.

Board reporting and governance documentation

Board reporting and governance was found to be generally robust and sound. The overall quality and effectiveness of board papers has improved through documentation and training of staff in board paper processes and objectives. The risk management policy was significantly overhauled and the company moved to early adoption of a diversity policy.

[Macarthur Coal Ltd](#)

However, this is not always the case.

At this company, reviews are conducted, but nothing gets done as a result, because there is no urgency and no time lines attached to the outcomes.

[Company secretary](#)

We note that the ABI Report on *Board Effectiveness*¹³ establishes that in the FTSE 100 company disclosures, almost one third (31.3 per cent) include outcomes statements, 63.6 per cent include no outcomes and the remaining 5.1 per cent include no review.

Quoting its findings the ABI stated:

We do not expect companies to reveal information that is confidential or commercially sensitive, nor do we believe that it

13 ABI, 2012

is necessary for them to do so for the reporting to be useful. It is clear many companies have disclosed their evaluation outcomes without breaching confidentiality, and this is regardless of whether the appraisals were internally or externally facilitated. Such disclosure proves it is the quality of the evaluation and its subsequent communication that is paramount.

The most useful disclosures on evaluation are those that discuss the outcomes in one year and follow up in the next year's report. This year-on-year progression provides a meaningful assessment of the challenges the board faces as it evolves and provides an insight into how well the board is responding to those challenges over time. This allows shareholders to understand the board's agenda for the year ahead. It is also a useful starting point in the engagement process for shareholders and the companies in which they invest.

This is an area where many boards in Australia could strengthen disclosures and some examples from the FTSE 100 identified as 'best practice' by the ABI are included in Appendix 5 for reference.

9) Any rationale for the process or methodology used for review?

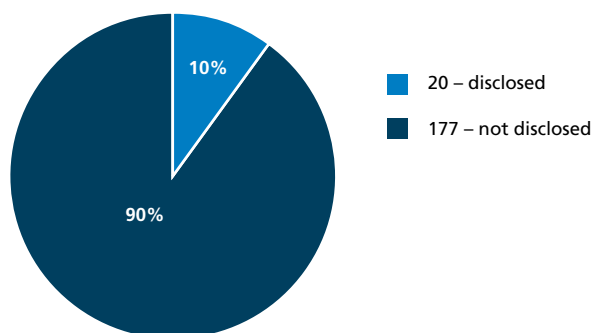


Figure 14: Disclosure of rationale for methodology of review

Twenty companies (ten per cent) provided an indication of the reasoning behind the choice of review process.

The board is committed to transparency in assessing the performance of the board. As part of this commitment, [a third-party, external consultant] was commissioned to complete a comprehensive, independent assessment of the board of Westfield Group in January 2010.

[Westfield Group](#)

The nomination committee facilitates board and individual director performance reviews and evaluation on at least an annual basis using an external facilitator as necessary to ensure independent professional scrutiny and benchmarking against developing best practices ... A performance evaluation in the financial year 2010 was undertaken in accordance with board procedure and involved an independent consultant.

[Cardno Ltd](#)

The board has determined that there is insufficient value in an external board review process, and accordingly proposes that the board review process is handled internally ...

[Decmil Group Limited](#)

These types of disclosure display a level of transparency without compromising confidential information. Statements like these make it clear that some thought and attention has been given to the process of evaluation and how it can best be carried out within the company's particular circumstances. No doubt many other boards have given the same degree of consideration to the appropriate choice of review process, but their disclosures do not match the deliberation. Through disclosure, boards such as those indicated above can provide evidence of such consideration.

It is important that review processes be tailored to the individual circumstances of a company and the board. Some companies appear to have established a standard procedure for performance review, which is applied year after year despite the evolving nature of the company. 'Set and forget' statements provide minimal reassurance to shareholders that boards are alert and responsive to shifting winds.

On the other hand, some boards do provide evidence of a more thoughtful approach, and of how best to evolve the board review process to add the greatest value to the board's changing circumstances.

The individual performance of directors has not been formally evaluated previously but rather this has been done by informal consultation between the chairman and the relevant directors as required. With the increasing maturity of the company, the board is currently reviewing its evaluation process. As a part of that review, a process for performance assessment of individual directors is being considered.

[Fortescue Metals Group Ltd](#)

Under the leadership and guidance of the chairman and with the support of the company secretary, the directors continue to review the design and effectiveness of the board evaluation processes.

[Rio Tinto Ltd](#)

A number of companies indicated that they looked to other companies as reference points for their own disclosure practices. Given our finding that many companies are providing limited disclosure, this practice may not always be helpful. We would suggest companies be highly selective in the examples they choose to follow.

Using an independent expert to get an injection of new thoughts, ideas and opinions is valuable ... I have also seen boards where committees are reviewed just by themselves and this is really a self-serving waste of time. Anyone reading about a board that continued to review itself would have to wonder what it is they have to hide.

[Company director](#)

A number of directors agreed that external reviews could offer a level of objectivity that may be impossible in an internal review. The important role played by the company secretary was also acknowledged.

The company secretary is very important to make sure that the right questions are asked — they are often asked to drum something up out of nowhere — or cobble together a few questions from previous questionnaires of surveys directors have provided from other boards. This is a fairly ineffective process and very unsophisticated although I have seen it proposed on more than one board. Any worthwhile review will be probing current issues and not simply asking a standard set of questions from five years ago that belonged to another board.

[Company director](#)

Very few boards (five companies, or three per cent) provided a rationale for the chosen methodology. As the examples below demonstrate, revealing the board's thinking behind the choice of a particular methodology can provide valuable insight into its approach towards its corporate governance obligations.

The purpose of the questionnaire process for directors is to obtain more comprehensive and structured feedback and to assist in evaluating the dynamics of the board as a whole.

[Alesco Corporation Ltd](#)

Given the company's ownership structure and the composition of the board, the assessment of the board's overall performance and its own succession plan is conducted informally by the chair and directors on an ad hoc basis. While this informal process is at variance to the ASX Corporate Governance Council Recommendations, for the financial year ended June 2011, the directors consider that an appropriate review and adequate evaluation of directors and of committees has been carried out.

[Village Roadshow Ltd](#)

I would say that disclosures are accurate in that they state the fact of a review, but they lack transparency as to content. You would not disclose the full detail of the review, but without disclosure of the themes of the outcomes there is no window for the investor to get a sense of how the board is dealing with the outcomes. An investor is looking for a good capital return on the stock, and the disclosures do not give them any depth. They engage with the obligation of the disclosure rather than the spirit of it.

[Company secretary](#)

10) Any perceived value or benefit of review?

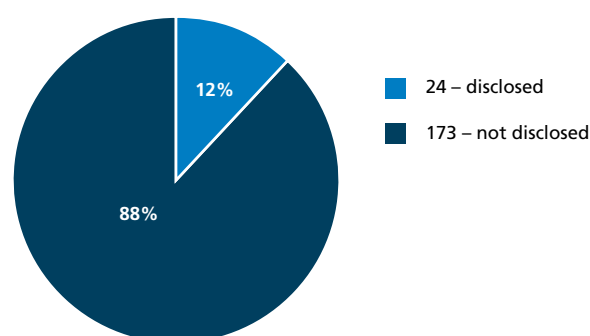


Figure 15: Disclosure of perceived benefit of review

Twelve per cent (24 companies) made a statement affirming a commitment to good corporate governance and the process of board review.

The board is committed to reviewing its performance and ensuring the board has the skills and knowledge to provide appropriate leadership and governance for the company.

[Nufarm Ltd](#)

The company recognises that the process of enhancing shareholder value is dependent upon the performance of directors and management.

[Gunns Ltd](#)

The board acknowledges the importance of regular review of its own performance, as well as the performance of its committees and individual directors.

[Transurban Group](#)

Interview participants strongly supported the introduction of the discipline of review. They saw it as a positive step, enshrining what they believed good boards were already

doing. A number suggested that one of the greatest benefits of the disclosure requirement was simply that it ensured a review was completed.

The requirement has also caused people to pause and rethink what the process is all about, rather than bringing out last year's questions. Pre re-election, I see the review process as a valuable discipline for board members — and no one should be afraid of this.

[Company director](#)

The requirement has removed the optionality of performance reviews. It is now something that must be done. Boards are now obliged to discuss and examine their own functioning. Disclosure helps to establish a base line of performance and this seems to be welcomed by most.

It places [review] fairly and squarely as a 'must do' item rather than something that is up for grabs and needs to be debated. So, the disclosure requirement drives behaviour in the boardroom — it is no longer a decision to be taken or debate to be had.

[Company director](#)

It makes people who wouldn't otherwise do a review get on and do one. It also allows the board to challenge the chair about matters that may need to be addressed in a structured way — this is often the only opportunity that directors may have for this.

[Company director](#)

Having review as a formal mechanism is a big improvement to the old system of putting up with somebody who wasn't pulling his or her weight but it was awkward to raise as an issue without either a very skilled chair or a real crisis that prompted some action.

[Company director](#)

Questions arise.

- Can more be said without revealing sensitive information or producing an excessively long statement?
- Are boards being more defensive than they need be?

I would say that in most cases this is an area where much more is done than is communicated.

[Company director](#)

The challenge is getting the balance right. The board needs to show that a robust and effective performance review process is in place and should strive for the utmost transparency. But the ultimate driver is to provide constructive feedback to directors as to how to improve board performance and I think that it would be detrimental to the frankness of directors' responses to a review if those responses were to be made public.

[Company secretary](#)

It is really important that the board has a shared ambition to be effective. To demonstrate the spirit behind the review and the will to embrace the process is vital. I can see that if a board/the company had a particular problem that it would be useful to spell it out — acknowledge it and address it in a review. So this would be a good and open way to let the market know that any concerns had been heard and were then addressed.

[Company director](#)

This statement shows that it is possible for the board of a significant listed company to disclose the key outcomes of a review without compromising confidentiality. Similarly, Appendix 5 contains several examples of large UK public companies providing the findings of board reviews — and, in some cases, actions taken in response to findings.

Additional observations

Through our analysis of the 197 disclosure statements, it is possible to make a number of more generic observations on the practice of review and the attitudes to disclosure.¹⁴ These are dealt with separately below.

Beyond the governance statement

Information relevant to board performance is not isolated to the corporate governance statement, nor the annual report alone. Company websites and various sections of annual reports are increasingly referred to as sources for further information. Our interview responses similarly suggested that key information on board performance was likely to be found through other sources such as the chair's report and at the AGM.

I included it in my chair's address as it is a significant initiative that warranted announcement as an action taken during the year — it didn't belong in the section on the practice of a review — that is, buried in the back of a governance statement.

[Chair of company](#)

The more powerful position in the annual report is the chair's address and I make sure that there is always a mention of a review having taken place there.

[Chair of company](#)

Interested parties wishing to understand the functioning of the board need to be alert and aware of this. Reading the disclosure statement in isolation may provide only a partial account of a board's attention to performance.

¹⁴ An interesting side issue surfaced through the interview stage of the research — one of which was the general reluctance of many of the male directors approached to be involved in an interview. Of the 15 directors approached for interview ten agreed; nine female and one male. Five declined — all were male

Lack of differentiation

A significant amount of repetition was found throughout the disclosure statements. The same or very similar phrases and descriptions of processes and outcomes continued to be used, despite significant differences in company size, market position, industry and maturity. There may be something of a missed opportunity here. By using 'safe' generic statements, boards are failing to capitalise on the flexibility afforded by the 'if not, why not' regime. A template-based approach may not do justice to the review process used. It seems that a number of boards view the disclosure requirement as a conformance obligation and so fail to use it as an opportunity to demonstrate their thinking or commitment to the issue of board evaluation and performance.

Focus on skills / reappointment

Many disclosure statements indicated that the main focus of board reviews was on assessing the skills and competencies of board members.

It is important for the board to have the skills, knowledge and experience required to effectively steer UGL in the future in response to market developments, opportunities and challenges. For the 2011 financial year, as part of its succession planning program, the board undertook an assessment and review of its performance. As a result of this review, the board will appoint an independent external provider to undertake a review of the composition of the board to ensure that the board's three-to-five year succession plan meets the needs of the company.

[UGL Ltd](#)

The full board is the nomination committee and regularly reviews board membership. This includes an assessment of the necessary and desirable competencies of board members, board succession plans and an evaluation of the board's performance, and consideration of appointments and removals.

[Campbell Brothers Ltd](#)

A number of boards appear to use reviews as a precursor to membership changes (but do not refer to any purpose).

Directors whose performance is consistently unsatisfactory may be asked to retire.

[Harvey Norman Holdings Ltd](#)

Directors whose performance is consistently unsatisfactory may be asked to retire.

[Austal Ltd](#)

Some companies provide relatively lengthy statements as to the specific director capabilities on which the review process focuses. For example:

Performance of individual directors is assessed against a range of dimensions including the ability of the director to consistently create shareholder value, to contribute to the development of strategies and risk identification, to provide clarity of direction to senior management, to listen to the views of fellow directors and members of management and key third-party stakeholders and to provide the time commitment to ensure the discharge of duties and obligations to the company.

[Billabong International Ltd](#)

Length of statements

The length of disclosures varied significantly (the longest was 558 words and the shortest just 11 words). Length alone is a poor indicator of quality. For example, the disclosure statement by Santos Ltd (231 words) was over double the length of the disclosure by Sims Metal Management Ltd (94 words), and yet they tell very similar stories.

Ordinarily, an external review of the board and individual directors is carried out on a biennial basis and internal reviews of individual directors are conducted annually. The external reviews are carried out by an independent consultant, based on a scope agreed in advance with the board. Internal reviews are facilitated by the chairman, in consultation with the nomination committee, and involve formal interviews with each director, culminating in a written report prepared by the chair.

An external review of the board as a whole commenced in December 2010, together with peer review of all individual directors. This review continued into 2011, culminating in a report in February 2011, and addressed:

- the board's contribution to strategy and policy
- interaction between the board and management
- the board's processes to monitor business performance and compliance
- risk management
- board composition and structure and
- the operation and conduct of the board.

As a result of recommendations arising from the external review, a number of initiatives have been introduced to ensure the continued effectiveness of the board's performance and enable its sustained focus on key issues for the company.

Board committees conduct their own internal review of their performance, structure, objectives and purpose from time to time. The membership of several committees was refreshed

in February 2010 and the charters of the remuneration and nomination committees were updated in 2010 to reflect changes in the ASX Corporate Governance Council Principles.

[Santos Ltd](#)

The nomination / governance committee is responsible for establishing procedures and overseeing the evaluation of the board. A formal performance evaluation was conducted involving the directors self-assessing the collective performance of the board. As part of the review process, directors were also asked to assess the board's composition and structure, and any areas where the board's effectiveness could be improved. The results of the evaluation, and individual committee assessments, were independently documented and will form the basis for the development of appropriate action plans under the guidance of the nomination / governance committee for the 2012 financial year.

[Sims Metal Management Ltd](#)

The primary audience has a significant role in shaping disclosure practices. The type, quantity and quality of information communicated are closely linked to the intended audience. ■

Who is reading the disclosure statements?

The ASXCGC sets the requirement of disclosure, but it is unclear who is actually reading disclosure statements. There are mixed views among directors and company secretaries on the main audience for disclosure statements. While it was originally intended by the ASXCGC that disclosures would provide a window for investors on board decision-making in relation to governance issues, there is no clear evidence that they are being read by investors. At interview, we asked board members and company secretaries who they believe is the intended audience for these disclosure statements — who is reading them?

I don't know — I would be encouraged if someone could tell me that anyone reads them!

[Chair of company](#)

There was a perception within the director cohort that reporting of the performance evaluations was largely for the satisfaction of governance advisers and regulators. Company secretaries had a different view and believed that there was intrinsic value in disclosure.

Essentially, this is an exercise for the gamekeepers.

[Chair of company](#)

Conclusions

The corporate governance statement in annual reports provides a valuable opportunity for companies to publicly exhibit their attitudes towards corporate governance. Many companies are yet to fully embrace the opportunity afforded by a disclosure that allows a company to 'tell its own story' and explain to its investors why its governance framework is aligned to their interests.

Our examination of current disclosure practices found that, while nearly all companies are formally complying, the rationale behind the disclosure requirement has not been fully embraced by some boards. It could be noted that reluctance to publicly disclose a company's governance culture is symptomatic of underlying problems within the company's attitude to accountability and stewardship. Or it may be that companies have not yet linked the change in practice and behaviour that the disclosure requirement has ushered in to the need to inform investors of such changes. This disconnect between the doing and the disclosure on the part of boards is at odds with the intent of the ASXCGC recommendation, and in this regard, we hope this research provides some valuable reference.

Many boards have been conducting regular reviews since well before the introduction of this ASXCGC recommendation. There remain some who appear reluctant to catch up either by disclosing review practices or explaining non-compliance with current requirements.

The requirement has helped to establish a review culture without prescribing what it should entail. Compliance is achieved through the disclosure itself. This discretion means boards have the opportunity to consider the approach to the requirement. Our research has revealed that some boards are still grappling with how best to approach this requirement. Some have accepted and responded to it, and others appear to be actively working to disclose a minimum of information or cloak statements in generalities and plans for coming years.

There is scope for refining what is required and the usefulness of disclosures without imposing further obligations on boards. This would also improve

accountability. We strongly suggest that disclosures include a statement about the fact of a review in the reporting period being conducted or not.

It is clear that disclosure statements often do not adequately reflect the efforts and attention given to board review. We suggest that it would be in the company's interests to improve the quality of disclosure as it provides a valuable window into the level of engagement by the board.

There are also different perceptions of what might be ideal in terms of disclosure between directors and company secretaries. Some company secretaries work hand in glove with boards and others work more like hand maidens. Each approach obviously gives a different flavour to disclosure.

Some chairs and directors remain sceptical about the value of board review, and we note this is generally either as a result of a poor experience, or through lack of experience of performance review as an executive. Others (all of our interviewees) see the value in a disciplined and effective process that deals with overall performance and improving board dynamics.

Undoubtedly, companies are faced with a difficult challenge of reconciling competing interests. They must balance the requirement of disclosure with the demands of confidentiality. Similarly, the utility of performance review needs to be balanced with the financial and time burdens it entails. Boards, however, must accept that shareholders in particular and stakeholders in general have a keen interest in board performance.

ICSA has found that there is 'a growing public interest in what boards do and how they are governed'¹⁵. Consequently, boards need to more vigilant in examining and reporting on their functioning. The ICSA report goes on to state:

Improvements in behavioural practice will also be built on a deeper understanding of the relevance of, and emphasis on, culture, vision and values — informed, in turn, by greater commitment to the importance of the relationship between issues of transparency, accountability, disclosure, trust and confidence.

¹⁵ ICSA Boardroom Behaviours, op cit

IDDAS research found that reviews were often conducted for the sake of compliance rather than to improve performance. A review on its own is of little benefit to anyone. It is necessary that the findings of the review be acted on. Disclosures of processes and *broad or non-confidential* outcomes are vital for reassuring shareholders, stakeholders and the market of the company's commitment to corporate governance.

In Grant Thornton's *Evolving with the Code* it was found that information provided in disclosures was largely in the form of boilerplate statements. This reliance on templates gives little insight into the actual function of a board or the review process that was engaged in.

In his description of disclosure practices in UK FTSE companies already described, John Roberts referred to the tension between formal compliance and more extensive, spirited compliance as 'defensive versus extensive'. Some companies reveal only *what is necessary, because it is necessary* (defensive). Other companies go further, providing greater detail and insight (extensive). In Australia, the tendency appears to be very much toward the defensive.

Concerns over revealing sensitive information, giving away a company edge or being misconstrued go some way to explain this defensive stance and the wide use of templates or boilerplate statements. Such statements and templates ensure compliance without revealing anything of substance. This sensitivity to overexposure can be overdone. Disclosures can demonstrate a genuine engagement in the process of review and achieve a level of confidence in the disciplines applied by boards without 'spilling the company beans'.

This is not to say that reams of detailed information are the answer. On the contrary, brief, clear, concise, company-specific statements are more than capable of providing meaningful insight, as is demonstrated by the examples we have given in this report.

Quoting from the ABI research again:

We have found that many companies are concerned they may reveal confidential information when reporting evaluation outcomes ... some of the best examples (of full disclosure) included discussions around risk management, corporate strategy, geographic markets of operation, and reporting on succession and diversity.

It needs to be stressed that reviews are not necessarily about finding and highlighting flaws. Reviews are a tool to encourage development and plan for further improvements. ICSA suggested that:

The case has still not been sufficiently articulated for the values and benefits which flow from good corporate governance and, therefore, the business case for encouraging directors to pursue best practice with enthusiasm and genuine commitment.

As companies continue to strengthen their commitment to corporate governance, it is necessary that their behaviours and attitudes and not merely processes evolve. Now that the ASXCGC principles and recommendations have been in place for almost ten years, it is time for some companies to engage more in the spirit of them. It is hoped that over the coming years performance reviews will become more commonplace and disclosures more sophisticated. Given the body of experience and knowledge that has already grown up in other countries, there is ample material available for reference, as required.

The flexibility afforded by the non-prescriptive recommendation can be better embraced in Australia. It can be taken up as an opportunity, rather than a burden, to display the governance culture unique to a company. Failure to do so may well lead down the track of increased prescription, which would be unfortunate given the high take-up and positive approach demonstrated by the majority of our leading companies in Australia. ■

Full disclosure statements

Adelaide Brighton Ltd

For the 2010 financial year, a performance evaluation was led by the chair to assess the performance of individual directors, the board as a whole, various aspects of the board committees such as their performance, membership, roles and charters, and the board's and directors' interaction with management.

As part of this comprehensive review of the board's performance, processes and operations, the chair facilitates individual discussions with each director which also reviews their individual performance. As part of the review, the chair of the corporate governance committee reviews the board chair's performance individually with directors. The chair of the corporate governance committee discusses the outcome of this review with the chair.

The chair and the chair of the corporate governance committee then report the findings of these reviews to the board. As a result of recommendations arising from the internal review, initiatives are introduced to ensure the continued effectiveness of the board's performance and enable its sustained focus on key issues for the company. The implementation of these initiatives is overseen by the chair.

Aditya Birla Minerals Ltd

The charter contemplates that the board will annually assess the performance of the board as a whole, and the individual directors, as well as the effectiveness of the board charter. Responsibility for the overall direction and management of Birla Minerals, its corporate governance and the internal workings of Birla Minerals rests with the board notwithstanding the delegation of certain functions to the chief executive officer and management generally (such delegation effected at all times in accordance with Birla Minerals' constitution and its corporate governance policies).

An evaluation procedure in relation to the board, individual directors, board committees ... has been adopted by the board and an evaluation procedure took place during the financial year. The evaluation of the board as a whole was facilitated through the use of a questionnaire required to be completed by each board member, the results of which were summarised to be discussed with the chair of the board and tabled for discussion at a board meeting.

Similarly each individual director was required to self-assess their performance and to discuss the results with the chair.

AGL Energy Ltd

The board regularly reviews its own performance. The most recent review, which was completed during the year, involved each director and several executives completing a questionnaire covering:

- the role of the board
- the composition of the board
- the operation of the board
- group behaviours and protocols and
- board performance.

The review was facilitated by an independent adviser with relevant expertise.

The results of the review were discussed at a subsequent board meeting. The chair also met separately with each director to discuss individual responses to the questionnaire. The review has led to some changes to increase the time allocated at board meetings to the discussion of strategic issues. It also led to the formation of the nominations committee.

AJ Lucas Group Ltd

The board's performance is assessed on an informal basis given its size. It is noted that with such a small board, each director has, and is required, to actively participate in the business of the board. On this basis, no formal evaluation process is undertaken.

Alesco Corporation Ltd

Alesco has in place processes designed to fairly review and actively encourage enhanced board and management effectiveness. The chair has the responsibility to review continuously the performance of each director and the board as a whole. During the year, the chair held discussions individually with directors to facilitate board, individual and peer review.

From time to time and, as considered appropriate, the chair will seek external assistance and advice to undertake these

performance reviews. These reviews consider not only the individual directors' performance but also the performance of the board and its committees.

This year the board commissioned a board performance review facilitated by an external and independent consultant. ... This review involved individual appraisals and peer reviews and included individual interviews and the use of a questionnaire covering a broad range of topics grouped under the different skills and attributes deemed important for the effective performance of the non-executive director. The purpose of the questionnaire process for directors is to obtain more comprehensive and structured feedback and to assist in evaluating the dynamics of the board as a whole.

The purpose of this externally facilitated review is to check on the effectiveness of the board and board committee function and processes, consider, among other things, the performance of the board benchmarked against the ASX Corporate Governance Guidelines as well as individual director performance. A written report was presented to the board at the conclusion of the review and issues for discussion and recommended actions were discussed individually with each director as well as at subsequent board meetings. The results of the review have led to the development of an action plan to optimise the board's role, its relationship with management, structures and processes underpinning quality decision-making and the provision of effective oversight and governance. The chair will monitor the action plan over the next 12 months and take appropriate steps to address the recommendation.

Amalgamated Holdings Ltd

The board reviews its performance annually to ensure that individual directors and the board as a whole work efficiently and effectively in achieving their functions set out within the board charter. The chair annually assesses the performance of individual directors and meets privately with each director to discuss this assessment and any ideas for improvement. At this same time, directors are able to provide feedback on the performance of the chair. The board as a whole discusses and analyses its own performance during the year.

The board also has in place an annual process to review its performance as well as the performance of the board committees. Each director completes a performance evaluation questionnaire. The questionnaire covers topic including:

- the board's role

- composition and effectiveness
- procedures and practices
- behaviours
- board administration and
- the conduct of the chair.

Directors are requested to provide comment and feedback and to evaluate each area by providing a rated response to various questions. The results of the performance evaluation are collated by the company secretary and submitted to the nomination and remuneration committee for review. A summary of the results is then submitted to the full board. The board evaluation process was last completed in May 2011. The results of the performance evaluation form the basis of an action plan designed to address performance improvement opportunities.

AMP Limited

The AMP Limited board reviews its own performance and that of individual directors, including the chair, on a regular basis. Reviews are either facilitated by the chair (and in the case of their own review by the chair of the nomination committee), or by an external consultant as deemed appropriate by the board from time to time.

In addition, the board reviews the performance of any director standing for re-election at a general meeting of the company. All committees of the AMP Limited board, as well as the boards, the individual directors and committees of key operating subsidiaries, regularly review their own performance.

Ansell Limited

The board undertakes an evaluation process to review its performance on a regular basis. In prior years the board has conducted formal reviews of its performance using a comprehensive and structured self-assessment approach. This year the board engaged an external consultant to review its performance.

In 2011 [a third-party, external, consultant] completed a comprehensive, independent assessment of the board of Ansell Limited. [The third-party, external consultant] considered materials provided by the company, interviewed each of the directors and a number of senior executives, and reviewed board papers and decisions processes for a range of key decisions over the year. The review highlighted several areas of improvement, which the board is addressing.

Overall, [the-third party, external consultant] rates the board's practices as delivering strong capabilities across the critical elements of board effectiveness.

APA Group

A review process to assess the performance of the board, its committees and individual directors is undertaken each year. The last review was conducted in September 2010 and the review for the reporting period will be completed in October 2011.

Each director completes a questionnaire, the responses are collated and the board then meets to discuss and consider the results of that process and to determine any actions arising from the review. The chair also meets each director to discuss the review and the director's own performance.

Matters covered by the review include the role and performance of the board and its committees, directors' understanding of APA's long-term objectives and key risks to the business and achievement of those objectives, succession planning and the effectiveness of the chair in leading the board.

A P Eagers Limited

In accordance with the board's charter, the chair is responsible for ensuring that board meetings are conducted competently and ethically and that directors individually and as a group have opportunities to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the board and the company. In this context, the chair undertakes a continuous review of the performance and contribution of individual directors, while the board as a whole conducts an ongoing evaluation of its performance and that of its committee.

APN News & Media Ltd

From time to time, including during the reporting period, the operation of the board, its committees and individual directors and their performance are discussed and, where appropriate, measures are taken to enhance their effectiveness. The company uses various methods to evaluate performance including interviews with directors. Outside advisers are also engaged to provide advice from time to time.

Ardent Leisure Group

The board charter requires that each director will participate in an annual performance evaluation which will be reviewed

by the chair. The process for conducting board and director evaluations is similar to that adopted for the review of the chief executive officer and is conducted in a confidential manner by the chair of the board. The evaluations include areas such as role of the board, composition, meeting conduct, behaviours and competencies, governance and risk, ethics and stakeholder relations.

Each committee charter adopted by the board includes a requirement for an annual self-assessment by the committee of its performance and charter. These evaluations are conducted against the existing charter and prevailing developments in the corporate governance arena.

Aristocrat Leisure Ltd

The board undertakes an annual review of its performance, and that of its committees, and periodically engages the assistance of external consultants to facilitate formal board performance reviews.

During 2010, the board took significant steps to put into action the recommendations from the external board performance review report received in 2009.

In addition, the board continually assesses its performance, and the chair discusses performance with each director during the year. Directors are encouraged to raise any issues of concern regarding the performance of any other director with the chair, or if the concern relates to the chair, with the chair of the nomination and governance committee. The chair, or the chair of the nomination and governance committee, as applicable, is responsible for determining the appropriate follow-up of any matters raised.

The chair of the nomination and governance committee has overall responsibility for managing and overseeing the performance evaluation process.

Asciano Group

The board has adopted a policy setting out a performance evaluation process for the board. This policy is available Asciano's website ... and provides that the performance of the board, each of its committees and each director will be reviewed annually. Such review may be conducted by an external consultant. The policy also sets out matters that will be considered relevant in assessing their performance.

An independent, external consultant has been engaged to assist with the review of the performance of the board. The board will consider the results of the review and, where desirable, take steps to implement any recommendations for improving board performance.

ASX Ltd

The board reviews its performance annually to ensure that individual directors and the board work efficiently and effectively in fulfilling their functions set out in the board charter.

The chair meets annually and separately with each non-executive director to discuss individual performance and ideas for improvement.

Ausdrill Ltd

The directors undertake an annual self-assessment performance evaluation of the board, its committees and the chair. The performance evaluation is conducted in such a manner as the board deems appropriate. The assessment also considers the adequacy of induction and continuing education, access to information and the support provided by the company secretary. Management is invited to contribute to this appraisal process. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. An assessment carried out in accordance with this process was undertaken during February 2011.

The chair undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. The results and any action plans of the chair's assessment are documented together with specific performance goals which are agreed for the coming year.

Ausenco Ltd

The board carries out an annual board assessment. The performance of the chair is reviewed and assessed by the other directors, and the chair reviews and assesses the performance of the other directors. During 2010, an internal evaluation of the board and board committees was undertaken in accordance with the policy adopted by the board.

Austal Ltd

The performance of the board is reviewed regularly against both measurable and qualitative indicators. Each year the nomination and remuneration committee conducts a performance assessment for each board member. The performance criteria against which Directors are assessed are aligned with the financial and non-financial objectives of Austal Limited. Directors whose performance is consistently unsatisfactory may be asked to retire. The performance of the Directors was assessed during the year and was in accordance with the above process.

Austar United Communications Ltd

The board has adopted a process to assess its overall performance and that of its committees and individual directors. This evaluation occurs on an annual basis by way of individual interview between the chair of the remuneration committee and the members of the board. The results of the assessment are then presented to the board for discussion and action to be taken as appropriate. ... During 2010, performance evaluations of the board and senior management took place in accordance with the process discussed above.

Australand Property Group

The board undertakes ongoing self-assessment and a formal review of the performance of the board, committees and individual directors each year. All board and committee members complete a written board evaluation survey with the objective of identifying any areas for improvement. The results of the survey are collated by an independent consultant for review by the chair and discussion with the board and individual directors. Recommendations for improvements in board operations, processes and practices emanating from the board evaluation process are put to the board for consideration each year.

The board has delegated to the deputy chair, responsibility for reviewing the results of the annual performance review of the chair.

Australia and New Zealand Banking Group

For the year ended 30 September 2011 the performance of the board was assessed using an independent external facilitator, who sought input from each director and certain members of senior management when carrying out the assessment.

The assessment was conducted in accordance with the broad terms of reference agreed by the governance committee, and included a review of board papers and decision processes for a range of key decisions made over the previous year.

Based on the information and materials reviewed, the external facilitator rated the board's practices as delivering superior capabilities across all of the critical elements of board effectiveness. The results of the assessment were discussed with the chair of the governance committee and were presented at a meeting of the governance committee which was attended by all directors.

It is expected that externally facilitated reviews of the board will occur approximately every three years. The review process in the intervening years is conducted internally, and considers progress against any recommendations implemented arising from the most recent externally facilitated review, together with any new issues that may have arisen.

Board committees

Each of the principle board committees conducts an annual committee performance self-assessment to review performance using guidelines approved by the governance committee. The guidelines set out that, at a minimum, the self-assessment should review and consider:

- the scope of the committee's responsibilities and duties as enshrined in its charter
- The committee's performance against its charter and annual calendar of business
- the committee's performance against any goals or objectives it set itself for the year under review
- major issues considered by the committee during the year and
- the identification of future topics for training/education of the committee.

The outcomes of the performance self-assessments, along with plans and objectives for the new financial year, are submitted to the governance committee (and, in the case of the governance committee, to the board) for discussion and noting. ... Board, director, board committee and relevant senior management evaluations in accordance with the above processes have been undertaken in respect of the 2011 financial year.

Australian Pharmaceutical Industries Ltd

The board undertakes an annual self-assessment of its collective performance. The self-assessment:

- compares the performance of the board with the requirements of the board's charter
- sets forth the goals and objectives of the board for the upcoming year and
- effects any improvements to the board's charter deemed necessary or desirable.

The chair annually assesses the performance of individual directors and where necessary meets privately with each

director to discuss this assessment. The chair's performance is reviewed by the board.

Automotive Holdings Group Ltd

The board undertakes an annual self-assessment of its collective performance, the performance of the chair and the performance of its committees by way of a series of questionnaires. The results are collated and discussed at a board meeting and any action plans are documented together with specific performance goals which are agreed for the coming year. Further, the chair undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. A board review will be conducted in 2012.

Bank of Queensland Ltd

The chair is available to the board and to senior executives at any time to discuss board performance. A performance evaluation for the board, its committees and directors took place in the reporting period in accordance with the process contained in the board performance review policy. The process included an externally facilitated evaluation.

Beach Energy Ltd

An internal performance evaluation of the board, each subcommittee of the board and individual directors was undertaken during the reporting period in accordance with the process for reviews disclosed in the corporate governance section of the company's website. The evaluation was conducted by way of questionnaire and interview. The outcomes of the review are taken into account in setting activities to continue to improve board performance and efficiency.

Bendigo & Adelaide Bank Ltd

During the reporting period, the governance and human resources committee considered developments in board performance reviews. The committee recommended changes to the performance review process to the board which were accepted. The following process now applies.

- Board as a whole — annual review. As before, the internal review is conducted by the chair of the board. The questionnaires have been revised and updated. Input from executives who regularly attend board meetings is sought. In addition, it is proposed to engage an external consultant on a periodic basis. The first engagement will be in the 2011–2012 financial year.
- Individual directors — annual review. This is conducted by the chair of the board.

- Chair of board — annual review: This is conducted by the board as a whole, lead by the chair of the governance and HR committee.
- Committees — biennial review. The review of committees was previously annual, but the board has decided it would be more beneficial to review committee performance every second year, to enable a greater focus on the board as a whole and individual director assessment in other years. As before, the review is led by the chair of each committee and discussed in a board meeting.

Reviews of the board as a whole, individual directors and the chair of the board took place in the reporting period.

The review of the board and committees involves consideration of performance against the charters and goals and objectives set at the start of the financial year. The board review also considers the structure and role of the board (including in strategy and planning), culture and relationships, meeting processes and organisational performance monitoring.

BHP Billiton Ltd

The board is committed to transparency in determining board membership and in assessing the performance of directors. The board assesses its performance through a combination of internal peer review and externally facilitated evaluation. Contemporary performance measures are considered an important part of this process. Directors' performance is also measured against their individual development plans ...

The board conducts regular evaluations of its performance, the performance of its committees, the chair, individual directors and the governance processes that support the board's work. This includes analysis of how the board and its directors are functioning, the time spent by the board considering matters and whether the terms of reference of the board committees have been met, as well as compliance with the Board Governance Document. The evaluation of the board's performance is conducted by focusing on individual directors and board committees in one year and the board as a whole in the following year. In addition, the board conducts evaluations of the performance of directors retiring and seeking re-election and uses the results of the evaluation when considering whether to recommend the re-election of particular directors.

During internally facilitated individual director reviews, each of the directors gives anonymous feedback on their peers'

performance and individual contributions to the board via the chair. In respect of the chair's performance, directors provide feedback directly to [a senior, independent non-executive director] to be passed on anonymously to the chair. External independent advisers are engaged to assist these processes as necessary and an externally facilitated review of the board, directors or committees takes place at least every two years. It is thought that the involvement of an independent third party has assisted the evaluation processes to be both rigorous and fair.

During the year, an externally facilitated evaluation of the board, which commenced in the previous financial year, was undertaken. The review indicated that the board is continuing to function effectively and in accordance with the terms of the Board Governance Document. In addition, externally facilitated reviews of individual directors and of each of the board committees have been undertaken.

The evaluation of individual directors focuses on the contributions of the directors to the work of the board and the expectations of directors specified in the group's governance framework. The performance of individual directors is assessed against a range of criteria, including the ability of the director to:

- consistently take the perspective of creating shareholder value
- contribute to the development of strategy
- understand the major risks affecting the business
- provide clear direction to management
- contribute to board cohesion
- commit the time required to fulfil the role and perform their responsibilities effectively
- listen to and respect the ideas of fellow directors and members of management.

The effectiveness of the board as a whole and of its committees is assessed against the accountabilities set down in the Board Governance Document and each of the committees' terms of reference. Matters considered in the assessment include:

- the effectiveness of discussions and debate at board and committee meetings
- the effectiveness of the board's and committees' processes and relationships with management
- the quality and timeliness of meeting agendas, board and committee papers and secretariat support

- the composition of the board and each committee, focusing on the blend of skills and experience.

The process is managed by the chair, but feedback on the chair's performance is provided to them by [a senior, independent non-executive director].

Billabong International Ltd

The board undertakes an annual self-assessment of the performance of the board as a whole, its committees, the chair, individual directors and governance processes that support board work. Performance of individual directors is assessed against a range of dimensions including the ability of the director to consistently create shareholder value, to contribute to the development of strategies and risk identification, to provide clarity of direction to senior management, to listen to the views of fellow directors and members of management and key third-party stakeholders and to provide the time commitment to ensure the discharge of duties and obligations to the company. The chair meets privately with each director to discuss individual and collective performance of directors.

BlueScope Steel Ltd

The board reviews its effectiveness and the performance of each director regularly.

The board completed an internal review of its effectiveness in August 2011 involving distribution of a questionnaire to directors and senior management. Confidential responses were collated by the company's auditors and discussed by the board. The review concluded that the board is functioning well with an appropriate mix of skills and experience and that an effective working relationship exists among board members and between board and management.

In addition, each committee reviews its performance and effectiveness periodically through a confidential questionnaire completed by members of the committee and relevant management attendees. The results of these reviews are discussed by the committee. Each board committee has conducted a review on this basis in the last 12 months. A formal review of the performance of individual directors takes place periodically, involving completion of an evaluation questionnaire by other board members, the results of which are collated and discussed by the chair with the director concerned (or the deputy chair in the case of the review of the chair) and with the board as a whole. In addition, the performance of the chair and other directors are reviewed regularly through other informal mechanisms such as meeting critiques, discussions

between directors and the chair, and as part of board and committee evaluations.

The nomination committee has reviewed the performance of directors seeking election in 2011 and endorses their candidature.

Boart Longyear Ltd

The board has a formal annual assessment process that includes performance assessments of the board committees and individual directors. As part of the assessment process, each director completes a questionnaire on the operation of the board and its committees and the performance and contribution of the directors. The results of the questionnaires are compiled by the chair and discussed with each director individually. The chair also holds a further discussion about the board's effectiveness with the board as a whole. The last board effectiveness evaluation was completed in December 2009. The chair currently is coordinating a board assessment to be conducted in the first quarter of 2011 with the assistance of an external consultant.

Boom Logistics Ltd

The nomination and remuneration committee is responsible for the ongoing evaluation of the board, its committees and individual directors and executives.

Board effectiveness is monitored through the chair and by open discussion among members. External assistance is engaged to periodically provide structured evaluation of board process and performance.

Boral Ltd

The board periodically undertakes an evaluation of the performance of the board and its committees. The evaluation encompasses a review of the structure and operation of the board, the skills and characteristics required by the board to maximise its effectiveness and whether the blending of skills, experience and expertise and the board's practices and procedures are appropriate for the present and future needs of the company. Steps involved in the evaluation include the completion of a questionnaire by each director, review of responses to the questionnaire at a board meeting and a private discussion between the chair and each other director.

An evaluation of the performance of the board and of individual directors took place in financial year 2011 in accordance with the process described above. An

evaluation of the performance of the board committees will be undertaken in financial year 2012.

Bradken Ltd

The board undertakes an annual self-assessment of its collective performance, the performance of the chair and of its committees. Management are invited to contribute to this appraisal process. The results and any action plans are documented. The most recent assessment was undertaken in August 2010.

The chair meets privately with each director to discuss this assessment and their individual situation.

Brambles Ltd

The board and its committees carry out both internal and external evaluations, with the form of evaluation being determined each year. For the year, the board undertook an external evaluation of its performance as a whole and the performance of each of its committees.

The external review was conducted by the board advisory services division of an independent firm of accountants. It involved the completion of a detailed questionnaire by each of the directors and selected Brambles executives on matters relevant to the board and committees' performance, followed by in-depth interviews conducted by the firm with each director and executive.

The outcome of the questionnaire and interviews were reported to the board and each committee. These were reviewed and discussed by the board and committees, with input from the external accountants, and key issues arising from the evaluations were identified for further action.

An internal evaluation of the performance of Tony Froggatt, the only non-executive director who is standing for re-election at the 2011 AGM, was also conducted. The chair reviewed the results of Tony Froggatt's performance evaluation with him. The board also reviewed the results of that evaluation, in his absence, and unanimously resolved to recommend his re-election.

Breville Group Ltd

There is no formal review process of the performance of the board, its committees and individual directors. Currently, the chair informally assesses the performance of committees and individual directors and their contribution to board affairs.

Brickworks Ltd

Non-executive director performance is reviewed by the chair. If the performance of any non-executive director is considered unsatisfactory, the matter is referred to the remainder of the board. The efficiency, effectiveness and operations of the board are continuously subject to informal monitoring by the chair and the board as a whole.

BrisConnections Group

The board charter sets out the requirement for a formal review of the board's performance at least every year. A review of the board's performance was conducted in September 2011.

The review of the board's performance is conducted by the chair with all board members. The review involves consideration of the effectiveness of the board and its committees having regard to the knowledge, skills and experience of the directors. The review involves considering the weighting of attributes, culture and capabilities of the board.

BSA Ltd

During the year the board embarked on a formal performance review process of the board, its committees and its directors, managed by the chair of the remuneration committees using an assessment matrix and rating system. The conclusions of the self-assessment of the board's performance during the previous year and any recommendations for improvement which become apparent from that review, are discussed by the board.

The performance evaluation was undertaken using the process disclosed above.

Calliden Group Ltd

The board undertakes an annual review of its performance. This review consists of each board member undertaking a self-assessment questionnaire which draws answers from each director about the degree to which the board has satisfied its obligations.

Caltex Australia Ltd

The review of the performance of the board, its committees and individual directors typically occurs every two to three years and is facilitated by an external consultant. The consultant conducts one-on-one interviews with directors and key executives. Directors provide feedback on other board members as part of the review.

The external consultant prepares a report relating to board and committee performance, which is discussed by the nomination committee and then by the board. Any actions to further enhance board and committee performance are documented, so that progress against their implementation can be monitored. The external consultant also meets with the chair to discuss a peer assessment of each director.

In February 2011, the board completed a performance review facilitated by an external consultant, which followed this process.

Campbell Brothers Ltd

The full board is the nomination committee and regularly reviews board membership. This includes an assessment of the necessary and desirable competencies of board members, board succession plans and an evaluation of the board's performance, and consideration of appointments and removals.

The board undertakes an annual review of its performance together with an assessment of the group's executive management.

Capral Ltd

The board has established a remuneration and nomination committee that is primarily responsible for determining remuneration and monitoring and reviewing the performance of the board, its committees, individual directors and senior management. The committee is responsible for assessing the necessary desirable competencies of board members, reviewing succession plans and providing recommendations for the appointment and removal of directors. Recommendations of the committee are given to the board for their consideration and approval. ...

The board participates in an annual self-assessment, with the outcomes substantially addressed (as appropriate).

Cardno Ltd

The nomination committee facilitates board and individual director performance reviews and evaluation on at least an annual basis using an external facilitator as necessary to ensure independent professional scrutiny and benchmarking against developing best practices. The results of the review are presented to the chair and to the board. A performance evaluation in the financial year 2010 was undertaken in accordance with board procedure and involved an independent consultant.

The board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively.

Centro Properties Group

The board supports the principle of regular reviews of both the whole of board and individual director performance and effectiveness.

A formal review of the performance of the board as a whole was conducted during the reporting period with the assistance of an external consultant. This included a review of individual director performance, and the contribution that each director is able and expected to make.

CFS Retail Property Trust

The composition of all major wholly owned subsidiary companies of the bank, including [Commonwealth Managed Investments Ltd (CMIL) [the responsible entity], is reviewed annually by the bank's board performance and renewal committee. The committee operates in accordance with a charter and comprises three independent directors of the bank.

This committee is responsible for critically reviewing, at least annually, the composition and effectiveness of the CMIL board, both individually and as a whole, and seeks to identify where improvement might be made and to assess the quality and effectiveness of information that is provided to the CMIL directors. ... The CMIL board also undertakes an annual self-assessment of the performance of the board and individual directors, facilitated by the Secretariat. The review is conducted in-house by questionnaire and includes confidential discussions with individual Directors. The results of these discussions are reviewed by the CMIL board, and the last assessment undertaken was conducted in accordance with this process during the 2011 financial year.

Compliance committee performance

At least annually, the CMIL board considers the performance of the compliance committee, with a view to identifying areas for improvement and to assess the quality and effectiveness of information it is receiving. The board undertakes this review at both an individual level and in relation to the committee as a whole.

Challenger Infrastructure Fund

The board charter sets out the requirement for a formal

review of the board's performance at least annually. A review of the board's performance was conducted in June 2011.

The review of the board's performance is conducted by the chair with all board members. The review involves consideration of the effectiveness of the board and its committees having regard to the knowledge, skills and experience of the directors. The review involves considering the weighting of attributes, culture and capabilities of the board.

Challenger Ltd

The board charter sets out the requirement for a formal review of the board's performance at least annually. A review of the board's performance was conducted in June 2011.

The review of the board's performance is conducted by the chair with all board members. The review involves consideration of the effectiveness of the board and its committees having regard to the knowledge, skills and experience of the directors. The review involves considering the weighting of attributes, culture and capabilities of the board.

Chandler Macleod Group Ltd

A formal review of the board is undertaken by the chair during the reporting period to provide relevant feedback to the ongoing value of the board and the directors and to ensure that the appropriate balance of experience is maintained to the board and the respective committees.

CMA Corporation Ltd

The responsibilities of the nominations committee include ... evaluation of the board's performance.

Coca-Cola Amatil Ltd

A review of directors' performance is undertaken at least every two years and if a majority of directors consider a director's performance falls below the predetermined criteria required, then the director has agreed to retire at the next annual general meeting and a resolution will be out to shareholders to vote on the re-election of that director.

The last performance review was undertaken in 2009. An independent consultant conducted in-depth interviews with members of the board. Senior executives who interface most with the board were also interviewed. Prior to the interviews each director was sent a board review questionnaire. The responses to the questionnaire formed part of the interview process and were taken into

account in the final report. The 2009 review found that the board was very effective and highly regarded. The next performance review will be undertaken in 2011.

Cochlear Ltd

A review of the performance of the board, its committees and individual directors is performed at least every two years, with the most recent being undertaken in 2011. The chair, Mr Rick Holliday-Smith, undertook individual interviews and questionnaires and subsequently held evaluations with each individual director as to their performance over the past year. The key findings of these reviews were then discussed at the nominations committee meeting held in July 2011. The performance evaluation process overview gives details of performance evaluation for the board, its committees and individual directors (Recommendation 2.5). The performance evaluation process overview is published in the corporate governance section of the Cochlear website.

Commonwealth Bank of Australia

The board has an annual process for reviewing its own performance, policies and practices. These reviews seek to identify where improvements can be made. They also assess the quality and effectiveness of information made available to directors. The review process includes an assessment of the performance of the board committees and each director. Every two years, this process is facilitated by an external consultant, with an internal review conducted in the intervening years.

After consideration of the results of the performance assessment, the board will determine its endorsement of the directors to stand for re-election at the next annual general meeting.

The non-executive directors meet at least annually without management, in a forum intended to allow for an open discussion on board and management performance. This is in addition to the consideration of the CEO's performance and remuneration which is conducted by the board in the absence of the CEO.

Performance evaluations in accordance with the above processes have been undertaken during the year. Details on management performance evaluations are contained in the remuneration report section of the directors' report.

Commonwealth Property Office Fund

The composition of all major wholly owned subsidiary companies of the bank, including [Commonwealth

Managed Investments Ltd (CMIL) [the responsible entity], is reviewed annually by the bank's board performance and renewal committee. The committee operates in accordance with a charter and comprises three independent directors of the bank.

This committee is responsible for critically reviewing, at least annually, the composition and effectiveness of the CMIL board, both individually and as a whole, and seeks to identify where improvement might be made and to assess the quality and effectiveness of information that is provided to the CMIL directors ... The CMIL board also undertakes an annual self-assessment of the performance of the board and individual directors, facilitated by the secretariat. The review is conducted in-house by questionnaire and includes confidential discussions with individual directors. The results of these discussions are reviewed by the CMIL board, and the last assessment undertaken was conducted in accordance with this process during the 2011 financial year.

Compliance committee performance

At least annually, the CMIL board considers the performance of the compliance committee, with a view to identifying areas for improvement and to assess the quality and effectiveness of information it is receiving. The board undertakes this review at both an individual level and in relation to the committee as a whole.

Computershare Ltd

A review of the board has taken place during the reporting period in accordance with Computershare's performance evaluation process for directors. This was an informal review whereby the nomination committee (which consists of all members of the board) considered the performance of the board and any steps that could be taken to maintain its effectiveness. The process also included the completion of a board evaluation survey completed by all directors, the results of which were discussed by the nomination committee.

Country Road Ltd

The board and its committees review their performance annually through a set questionnaire that is circulated to members of the board and each committee at the August meeting, as well as other key participants in board and committee processes such as the company secretary and the external auditors. Results of the feedback are addressed at the February meeting of the board and each of its committees. An evaluation was conducted during the year in accordance with the process described.

The performance of individual directors is assessed on an ongoing basis by the chair. Given the composition of the board and its committees, a formal periodic individual assessment is not undertaken.

Crown Ltd

A performance evaluation of the board and of its committees is undertaken annually, following completion of each financial year, by way of a questionnaire sent to each board and committee member.

The questionnaire covers the role, composition, procedure and practices of the board and its committees. The individual responses to the questionnaire are confidential to each board or committee member, with questionnaire responses to be provided to the chair of the nomination and remuneration committee for their consideration and provision of a report to the board.

An evaluation of the board and its committees took place following the end of the financial year in accordance with the process described above.

Crown's nomination and remuneration committee also has delegated responsibility for reviewing Crown's procedure for the evaluation of the performance of the board, its committees and its directors.

CSG Ltd

The board has adopted policies with respect to independence and conflicts of interest, risk management, board performance evaluation, CEO performance evaluation, continuous disclosure and external communications and securities trading. Copies of these charters and policies are available to shareholders on request.

CSL Ltd

The Nomination Committee meets annually to review the board's performance. The Chair also holds discussions with individual directors to facilitate peer review. The nomination committee is responsible for evaluating the performance of the managing director, who in turn evaluates the performance of all other senior executives and makes recommendations in respect of their remuneration. These evaluations are based on specific criteria including the company's business performance, whether the long-term strategic objectives are being achieved and the achievement of individual performance objectives. These performance evaluations took place in accordance with these processes during the last financial year.

CSR Ltd

The performance of the board is regularly reviewed. The board undertakes a self-assessment of both its collective performance and that of individual directors and seeks specific feedback from the senior management team on particular aspects of its performance. The board establishes procedures and oversees this annual performance assessment program. The process may be assisted by an independent third-party facilitator. The results and any action plans flowing from this annual assessment are documented, together with specific performance goals that are agreed for the coming year.

In addition, each board committee undertakes a regular self-assessment on the performance of the committee and achievement of committee objectives.

Data#3 Ltd

The board and committees have established a structured self-assessment process to regularly review and evaluate the performance of the board as a whole, its committees, and the board's interaction with management. This performance assessment was completed during the year.

David Jones Ltd

The board has in place formal processes to review its performance and that of its chair annually and the performance of its other individual directors every three years. In line with the company's continuous improvement focus, the performance evaluation process of the board has been benchmarked against the evaluation practices of boards in other ASX listed companies. As a result, the core elements of the evaluation process have been further enhanced and are summarised below.

- The performance evaluation of the board and chair is comprised of structured interviews, written surveys and from time to time involves assistance of an independent adviser.
- A self-assessment process with respect to the board's overall performance is undertaken by all directors for review by the chair, and an assessment of the chair is completed by the deputy chair and other directors. The review incorporates the performance of the board as a whole relative to the board charter. During this process, any particular issues concerning the performance of individual directors or board committees will also be raised.
- Integral to the process is feedback from key stakeholders and senior management which is obtained through an interview process.

- The chair conveys the results of the performance evaluation process to each director and the board and these results form the basis of an action plan designed to address performance improvement opportunities.
- On a three-yearly basis, each director completes a written survey scoring the individual performance and contribution of each other director as well as themselves. This information is collated and the results are communicated by the chair to each director.

The evaluation of individual board committees is carried out as and when needed.

An independent review of the board, its committees and members is presently under way and is expected to be completed by November 2011.

Decmil Group

The performance of the board and its individual directors are reviewed regularly.

During the reporting period the performance of the board was reviewed internally.

The board had determined that there is insufficient value in an external board review process, and accordingly proposes that the board review process is handled internally whereby the performance of the board is assessed against its objectives and responsibilities as set out in the board charter. The process consists of an informal discussion, completion of a standard format questionnaire, one-on-one meeting between the chair and individual directors and a final review of completed questionnaires. A timetable for the board review process has been established.

Both performance reviews of the remuneration committee and audit and risk committee were conducted during the year.

The process for evaluating the performance of the remuneration committee and audit and risk committee involves an internal review by the relevant committee of its performance against its objectives and responsibilities as set out in the relevant committee charter ... As noted above, performance evaluations for individual directors and key executives were conducted during the reporting period in accordance with the above process.

Devine Limited

It is part of the responsibility of the board to assess whether or not it continues to operate within established

guidelines and with the appropriate skill mix. In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the chair reviews the performance of all directors annually and may ask directors whose performance is considered unsatisfactory to retire. The performance of the board and key executives is reviewed against both measurable and qualitative indicators and is aligned with the financial and non-financial objectives of Devine Limited.

DEXUS Property Group

The board nomination and remuneration committee oversees the board performance evaluation program which extends over a two year period. Board and committee performance is evaluated one year, and individual director performance is evaluated the following year.

The process is designed to identify opportunities for performance improvement. In 2011 individual director performance was evaluated. Evaluations are undertaken using a questionnaire and face-to-face interviews on a broad range of issues.

The effectiveness of board and committees is reviewed on an annual basis, the findings of which are reported to the board. Committees' terms of reference are reviewed on at least an annual basis. Each committee has a standing item to address at each meeting any improvement to reporting or process that would benefit the board, or regulator (where applicable).

Dicker Data Ltd

The board will consider undertaking a self-assessment individual performance in 2012 if it is deemed appropriate.

As part of the annual review of the performance of the board, the appropriate size, composition and terms and conditions of appointment to and retirement from the board are considered. The level of remuneration for non-executive directors is considered with regard to practices of other public companies and the aggregate amount of fees approved by shareholders. The board also reviews the appropriate criteria for board membership collectively.

Downer EDI Ltd

As part of its commitment to leading corporate governance practice, the board undertakes improvement programs, including periodic review of its performance in consultation with an external consultant. The most recent external review was conducted in 2009.

DUET Group

To ensure that the directors of Responsibility Entity 1, Responsible Entity 2 and DUET Investment Holdings Ltd are properly performing their duties, the following procedures are in place:

- a formal annual performance self-assessment of the board, the audit and risk committees and individual directors
- a formal induction program for directors
- access by directors to continuing education to update and enhance their skills and knowledge

The procedure for evaluation of the boards' performance is as follows.

- Directors are given to opportunity to discuss individual performance and feedback on performance via questionnaire and if necessary the chair meets with each independent director to discuss the effectiveness of the board and board committees as a whole.
- The board as a whole discusses and analyses board and committee performance during the year, including suggestions for change or improvement, based on the questionnaire responses and the chair's feedback from conducting separate meetings (if any) with the independent directors.

Duluxgroup Ltd

The board is committed to a performance culture and to ensuring that a range of formal processes are in place to evaluate the performance of the board, board committees and executives.

The board approved a board evaluation policy in March 2011. Under this policy, the board will carry out an evaluation of its performance against agreed board objectives each year under the direction of the chair. The board reviewed its performance against its 2010–2011 objectives during the year.

A further review was undertaken at the board's meeting in November 2011 at which time the board also set a series of goals to guide their activity over the coming year. The review focused on board composition and structure, information before the board, interaction between the board and management and between board members, and the board's role in developing strategy and overseeing business performance. In addition, the directors standing for re-election at the company's 2011 annual general

meeting were subject to a performance review prior to the board endorsing their nomination for re-election.

Each board committee will also review its performance annually against the responsibilities set out in the committee's charter and these reviews have been scheduled in the 2012 program for each committee. As appropriate, the board may also provide feedback from time to time as to the effectiveness with which it considers the board committees assist the board in the discharge of its functions.

Elders Ltd

The board reviews its own performance and that of its committees on an ongoing basis. The chair also holds individual discussions with each director to discuss their performance on a needs basis. The non-executive directors are responsible for evaluating the performance of the chief executive, who in turn evaluates the performance of all other senior executives. The evaluations are based on specific criteria, including the company's business performance, whether long-term strategic objectives are being achieved and the achievement of individual performance objectives. This process was followed in respect of the 2011 financial year.

During the 2010 financial year directors implemented a number of recommendations made by [a third-party, external consultant] in its 2009 review of board performance. In 2011, the board was subjected to internal performance review, which was considered appropriate given the recent appointment of Mr Ballard as chair. In 2012, the board proposes that it will again be subject to external review.

The board charter prescribes that before a director is recommended for re-election, the chair consults with the other directors regarding the director's effectiveness. Based upon the outcome of these consultations, the board then determines whether or not to recommend the director for re-election.

The nomination and prudential committee assists in this review process.

Emeco Holdings Ltd

A review of the performance of the board was completed in March 2011 by the chair with the assistance of the remuneration and nomination committee. The review was undertaken in accordance with the charter of the remuneration and nomination committee using a comprehensive questionnaire, the scope of which covered

the performance of the board, its committees, the chair and individual directors.

Energy Resources of Australia Ltd

In 2010 the board performed an annual evaluation of itself that:

- (a) considered the performance of the directors and the board and the adequacy of the board's structures and processes, including the board charter
- (b) set out goals and objectives of the board for the upcoming year and
- (c) considered whether any improvements or changes to the board structures and processes, including the board charter, were necessary or desirable.

The process of evaluation and self-assessment took the form of a questionnaire completed by each of the directors. Following collation, the results and the adequacy and appropriateness of the self-assessment process were considered and discussed by the directors at the next board meeting, and actions arising were agreed.

Envesta Ltd

The board has adopted a policy of undertaking self-assessment of its performance to initiate improvements and assist in determining the board's support for individual members offering themselves for re-election by the shareholders. Assessments are conducted at regular intervals. The policy on board self-assessment is available on the company's website.

ERM Power Pty Ltd

Each year, through the nomination committee, the directors review the performance of the whole board and board committees. The review considers a director's expertise, skill and experience, along with their understanding of the company's business, preparation for meetings, relationships with other directors and management, awareness of ethical and governance issues, and overall contribution. This year a full review was undertaken covering the board's activities and work program, time commitments, meeting efficiency and board contribution to company strategy, monitoring, compliance and governance.

Fairfax Media Ltd

The board has adopted a formal nominations committee charter. Under the charter, the purpose of the committee is to identify individuals qualified to become board members

and recommend them for nomination to the board and its committees; to ensure board members' performance is reviewed regularly and to recommend changes from time to time to ensure the board has a appropriate mix of skills and experience.

The board conducts a review of its structure, composition and performance annually. The board may seek external advice to assist in the review process. During this financial year a formal review of board performance was conducted by the chair.

Fantastic Holdings Ltd

It is the responsibility of the chair to ensure directors contribute appropriately and they monitor this in an informal manner at each board and committee meeting. If there is a matter of improvement to be raised, this will be done either on an individual or group level, as appropriate. The chair also reviews the effectiveness of meetings and makes recommendations as to areas of possible improvement for future meetings where appropriate.

The number of board and committee meeting attended by each director is provided ... in this directors' report, as it is important that individual board member devote the necessary time to the board. To this end, there is a review of the time required from a non-executive director and whether they are meeting this. A non-executive director should inform the chair before accepting any new board appointments.

The size and composition of the board are also reviewed, to ensure that these are conducive to achieving the best possible performance from directors with the skills necessary for good stewardship of the fantastic group.

FKP Property Group

The remuneration committee of the board of directors is responsible for reviewing and recommending to the board for approval, procedures to assess the performance of directors. The board undertakes an informal review of its performance annually, which includes an assessment of future requirements in relation to board composition and overall board performance, and when the appointment of a new director is required.

Fleetwood Corporation Ltd

The chair is responsible for the monitoring the contribution of individual directors. The board plays a similar role in respect of the chair's performance.

The board undertakes an annual performance review of itself that compares the performance of the board with the requirements of its charter.

Flight Centre Ltd

The board members and other senior executives evaluate the board on its overall performance and individual directors' performance. The board as a unit is assessed on board process and dynamics, while the individual directors and chair are assessed on leadership, interaction with other directors and senior executives, imparting knowledge, attendance and involvement in decision-making.

The board is evaluated each year based on its performance during the financial year. An interview process was undertaken in June 2011 to assess the board and the findings were presented to the full board in August 2011.

Forge Group Ltd

The independent non-executive directors are responsible for evaluating the performance of the board, board committees, individual directors and key executives by way of informal discussions.

While the company anticipates developing and formalising its performance evaluation process, this was not implemented in the reporting period.

During the reporting period a formal evaluation of the board, its committees, and individual directors did not occur but the board has considered and discussed the performance of the board, its committees, and individual directors during the reporting period when considering the appointment of Mr Craig and during the search for a managing director.

Fortescue Metals Group Ltd

The board and each of its two committees have recently implemented a formal process to self-evaluate their performance annually. The process will be based on a formal questionnaire and the results of the evaluation of the committees is agreed among committee members, with the chair in each case leading the evaluation process, and are reported to the board for further consideration and action where required. In each case the committees provide recommendations for improvement where appropriate, which the board considers as part of any proposed improvement actions.

A similar process is to be undertaken at board level involving the entire board and again, led by the chair,

improvement actions are agreed and acted upon with the assistance of the company secretary.

The individual performance of directors has not been formally evaluated previously but rather this has been done by informal consultation between the chair and the relevant directors as required. With the increasing maturity of the company, the board is currently reviewing its evaluation process. As a part of that review, a process for performance assessment of individual directors is being considered.

Gerard Lighting Group Ltd

The chair of the remuneration and nomination committee, an independent director, undertakes a regular assessment of the performance of individual directors, the board as a whole and its committees and meets privately with each director to discuss this assessment. Descriptions of the process for performance assessment for the board and senior executives are available on the company website.

Gloucester Coal Ltd

During the financial year, an independent review was conducted of the performance of the board, its committee and directors. This review was foreshadowed in the company's 2010 annual report. The process for performance evaluation of the board, board committees, individual directors and key executives is set out in the company's statement of corporate governance practices which can be found on its website.

Goodman Fielder Ltd

The nomination committee is responsible for arranging performance evaluations of the board, its committees and individual directors. A formal performance evaluation and assessment of board effectiveness was conducted in October 2010 by an external adviser with corporate governance expertise. The results of the review were shared with the board, committee chairs, each director and the executive management team and action items identified are being addressed as part of a process of ongoing communication between the board and management. It is intended that an external evaluation of board effectiveness will be conducted every three years.

Goodman Group

The board reviews its performance and that of its committees approximately every two years. The board considers this is an appropriate timeframe having regard to the time taken in the review process, the frequency of

board meetings and the level of change in the board over time. An assessment of the performance of the board and individual directors was conducted during the 2010 financial year. The process for conducting this review consists of each director completing a self-assessment questionnaire, which also elicits comments and key issues the director wishes to raise at that time. Following the collation of the questionnaire results, the chair meets with each director individually to discuss their board participation. In relation to the 2010 performance review, the questionnaire completed by the directors covered:

- board contribution to developing strategy and policy
- interaction between the board and management
- board processes to monitor business performance and compliance, control risk and evaluate management
- board composition and structure and
- operation of the board including the conduct of board and committee meetings.

The board also undertakes ongoing assessment of Goodman's various committees. This process is conducted along with the assessment of the board and individual directors through the questionnaire process.

GPT Group

The board is committed to enhancing its own and management's effectiveness through a combined process of continuing education and performance management.

The board considers that reviewing its performance is essential to good governance. This review process is designed to help enhance performance by providing a mechanism to raise and resolve issues and to provide recommendations to assist the board to enhance its effectiveness.

An evaluation of the board's performance was undertaken in 2010. It was conducted in accordance with the principles set out in this statement.

GrainCorp Ltd

The board reviews its performance and that of each Director on an annual basis either by self-evaluation or by independent review. The process for conducting the review is agreed by the board, led by the chair, and covers matters such as:

- the board's contribution to developing strategy and policy
- the board's performance relative to its responsibilities

- the interaction between board member and between the board and GrainCorp's executives
- the board's oversight of business and executive performance, controls and compliance
- the operation of the board including the conduct and content of board meetings
- the performance of each board committee against the responsibilities of its respective charter and
- the individual contribution of each director.

Each committee reviews its performance annually through discussion and questionnaires relevant to the committee's performance during the year. The chair of the corporate governance committee (CGC) reviews the performance of the chair of the board in consultation with the other directors...

In addition, the performance of a non-executive director is assessed when nominating for election or re-election at an annual general meeting. In the particular director's absence, the board, through the CGC, assesses whether to endorse the director's election or re-election by shareholders.

The board performance self-evaluation and review during the year ended 30 September 2011 showed no major issues in relation to the board's, its committees' and individual directors' performance. It is intended that the review to be conducted for the year ended 30 September 2012 will be done independently.

GUD Holdings Ltd

The nominations committee includes in its charter the role of evaluating the board's performance. This is conducted through an annual internal assessment. Directors provide written feedback in relation to the performance of the board (and its committees) against a set of agreed criteria. This feedback is reported by the chair of the nominations committee to the board following the assessment.

For the 2011 financial year, a performance evaluation was led by the chair. The purpose of the review was to assess strengths and weakness of the board and committees, and identify areas that might be improved. The findings of the performance review have been considered by the board and have been, and continue to be, taken into account in identifying and nominating new candidates for appointment as director, and in planning and conducting board and committee matters.

Gunns Ltd

The company recognises that the process of enhancing shareholder value is dependent upon the performance of directors and management. Ensuring directors and management have the knowledge and information required to perform their duties and the regular review of performance are important factors in meeting the company's and consolidated entity's objectives.

The performance of individual directors, the board as a whole, and key executives is reviewed annually by the nominations committee. In addition, the board undertakes an annual review of board committees. The performance of senior management is reviewed by the remuneration committee on an annual basis. The review entails consideration of the performance of management in the context of overall performance of the consolidated entity, performance of operating businesses and achievement of specific corporate objectives.

GWA Group Ltd

On an annual basis, the nomination committee conducts a formal evaluation of the performance of the board, the board committees and the individual board members to determine whether functioning effectively by reference to current good practice. The performance evaluation is conducted by the chair of the board through open discussions with the board members and detailed questionnaires as required. Any issues or improvement opportunities identified from the performance evaluation are actioned.

Harvey Norman Holdings Ltd

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the nomination committee conducted performance evaluations that involved an assessment of the performance of each board member against specific and measurable qualitative and quantitative performance criteria.

The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the company. Directors whose performance is consistently unsatisfactory may be asked to retire.

Hastie Group Ltd

The board periodically reviews its performance, and the performance of each of its committees. A formal

structured appraisal system continues to be utilised to assess the performance of individual board members, the committees of the board and the board as a whole. This system provides individual directors and the chair with feedback from fellow directors and senior management. Prior to the nomination of a director for election or re-election, the board will review the performance of that director. If the review is satisfactory, the board will recommend the director to shareholders for re-election.

Hills Holdings Ltd

The board undertakes a regular annual assessment of its collective performance and that of individual directors and its committees. The board performance evaluation process is conducted by way of questionnaires to effectively review:

- the performance of the board and each of its committees against the requirements of their respective charters and
- the individual performance of the chair and each director.

Management are invited to contribute to this appraisal process. The questionnaires are completed by each director. The reports on the board and committee performance are provided to all directors and discussed by the board. The report on the chair's performance is discussed with the chair of the nomination committee. The chair of the board meets with each director to discuss their individual assessments. From time to time the board engages external consultants to assist with the process.

The results and action plans are documented and agreed. An assessment carried out in accordance with this process was undertaken in November 2010.

Descriptions of the process for performance assessment for the board and senior executives are available on the company's website.

Iluka Resources Ltd

The board carries out an annual review of its performance in meeting key responsibilities. This review process, which is periodically facilitated by external consultants, serves to identify any issues and initiatives for improving the functioning and performance of the board. This annual review was last undertaken December 2010.

Each of the board's committees also conducts an annual self-assessment of their performance in meeting their responsibilities. These reviews serve to identify strengths,

weaknesses and areas for improvement. The assessment for both committees was last undertaken in December 2010.

Incitec Pivot Ltd

Incitec Pivot recognises the importance of regular performance evaluations of its directors. Assessment of individual directors' performance and that of the board is a process determined by the chair and the remuneration and appointments committee. Performance assessments are intended to assist the board in carrying out its responsibilities (as set out in its charter) and ensure the board remains effective. The board's annual performance review took place in August 2011 by way of self-assessment of the board's role, structure and processes, as well as the board's performance in meeting its responsibilities under its charter. The outcomes of that review are included in the 2011–2012 objectives for the board and will be implemented throughout the company's 2011–2012 financial year. In addition, one-on-one interviews occurred between each director and the chair. For the directors who are retiring by rotation and standing for re-election at the 2011 annual general meeting, Mr John Watson and Mr Anthony Larkin, their performance was reviewed as part of their nomination for re-election. Periodically, the board engages external consultants to undertake comprehensive reviews of the effectiveness of the board. The next external review is scheduled to take place in the 2011–2012 financial year.

Industree Ltd

A board performance review using external consultants was conducted in June 2010. No additional external review of board performance was undertaken in the reporting period.

An internal board performance review was conducted during the reporting period. The review involved a self-assessment by each director of board and committee performance. Directors were specifically asked to comment on the composition and diversity of the current board. The results of this self-assessment were considered by the board as a whole. The process was then supplemented by one-on-one discussions between each director and the chair, which provided an opportunity for the consideration of individual contributions and issues particular to a director.

Infigen Energy

The nomination and remuneration committee undertook its annual review of the membership and performance of the INF boards, their respective committees and individual directors. Recommendations were subsequently made to

the INF board. Individuals do not participate in the review of their own performance, nor participate in any vote regarding their election, re-election or committee membership. In view of the recent changes to the boards' composition, the next review will be undertaken in late 2012.

Insurance Australia Group Ltd

Each director's performance is subject to evaluation by the chair annually, by discussion between the chair and the director. Individual directors also evaluate the chair's performance annually.

The nomination, remuneration and sustainability committee conducts an internal review of the board's performance with assistance from external experts, composition and size at least every three years. A formal review of board performance and succession was conducted in July and August 2011, with assistance and input from an independent board performance expert. The review process involves the completion of questionnaire by directors and group executives, the collation of results and discussion with individual directors and the board as a whole led by the chair.

Measures of a director's performance will include:

- contribution of the director to board teamwork
- contribution to debates on significant issues and proposals
- advice and assistance given to management
- input regarding regulatory, industry and social developments surrounding the business and
- in the case of the chair's performance, the fulfilment of their additional role as chair.

IOOF Holdings Ltd

As at the date of this report, both the board and its committees had conducted a performance evaluation by way of a self-assessment survey for the period.

JB Hi-Fi Ltd

JB Hi-Fi monitors and evaluates the performance of its board, its board committees, individual directors, and key executives in order to fairly review and actively encourage enhanced board and management effectiveness. A description of the process for the evaluation of the board, its committees, individual directors and key executives can be found on the company's website at www.jbhifi.com.au via the corporate and governance sections. Evaluation of the board, board committees, individual directors and key

executives has been conducted during the 2011 financial year in accordance with this process.

Jetset Travelworld Ltd

The board undertakes an annual self-assessment of its collective performance and the performance of its committees, by way of a series of questionnaires. The results are collated and discussed at a board meeting and any action plans are documented together with specific performance goals which are agreed for the coming year.

The chair undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. A director is nominated to review the individual performance of the chair and meets privately with him to discuss this assessment. The 2011 board review has recently been undertaken.

K&S Corporation Ltd

The board has implemented a process for the regular review of its overall performance, consistent with ASX Corporate Governance Council Recommendation 2.5. Regular review involves both analysis by the board of the results of a questionnaire completed by all directors and discussion between the chair and each of the directors.

The board's performance review departs from Recommendation 2.5 as the review is conducted by the full board, and not the nomination and remuneration committee. As the board is comprised of only six directors, the board considers this the most effective way to address its own performance.

Leighton Holdings Ltd

As part of its transition towards a holistic and systematic approach to board composition and director development, the board implemented the following initiatives during the 2011 financial year.

(a) Board skills and capabilities assessment process

As foreshadowed in last year's concise annual report a new board skills and capabilities assessment process was implemented in July 2010. This process involved each member of the board completing a questionnaire aimed at identifying the skills, experience, capabilities and diversity of background that each director brings to the board. The results of the questionnaires were then consolidated and analysed in order to facilitate an assessment of:

- the board's collective skills, experience, capabilities and diversity of background

- criteria for identification and selection of new directors (having regard to the current and expected future needs of the company and the group) and
- development priorities for the board as a whole and for individual directors.

(b) Independent review of board effectiveness

During the six months to December 2010 the board undertook a board effectiveness review facilitated by a specialist external consultant to identify any areas where the board could enhance the contribution it makes to the organisation, or areas where it could operate more effectively. The review also focused on the interface between the board, the board committees and management.

Following the completion of the above processes, an action plan incorporating the recommendations from the independent review of board effectiveness and opportunities for development identified in the skills and experience self-assessment was developed. This action plan was adopted by the board in February 2011.

Lend Lease Group

The board conducts an annual review of its performance, the chair and individual directors retiring and seeking re-election at the AGM.

External review

The last external review was conducted in March 2010 by [a third-party, external consultant]. The findings of the external review were considered by the board and appropriate action taken where required.

Internal review and assessment

The review process includes interviews with the directors and senior management, may involve interviews with key stakeholders, and generates recommendations to ensure the board continues to operate efficiently with the requisite mix of skills, experience, and appropriate organisation and procedures.

The chair of the nomination committee, acting in consultation with other board members, is responsible for conducting an annual evaluation of the group CEO and the chair of the board...

Overview of board committees

The board has established four permanent board committees to assist, advise and make recommendations

to the board on matters falling within their areas of responsibility. The performance of the committees, its membership and the charters are periodically reviewed.

M2 Telecommunications Group Ltd

The nomination and remuneration committee is responsible for the establishment of process for board evaluation, with the chair providing leadership in the execution of any review.

The board undertook an evaluation in May 2011, with all directors providing input on the effectiveness of board processes, meetings, board composition and performance and reporting. This took the form of a questionnaire, with directors having an opportunity to discuss and comment on such matters individually with the chair.

Macarthur Coal Ltd

An evaluation of board performance, managed by the chair, was undertaken in June 2011. There were four areas of focus in this year's evaluation ...

Strengths of the board

The review confirmed that the strengths of the board include a diverse range of skills, knowledge and experience, an ability to discuss issues openly, an effective and open working relationship with management and a strong contribution to oversight of the company by all members of the board.

Major achievements

Major achievements of the board over the past 12 months were identified as maintaining a focus on strategic growth through both organic growth ... and acquisitions ... and development of a corporate strategic plan to underpin long-term shareholder value.

Areas of board focus

Areas identified for board focus in 2012 include succession planning, building a safety culture and links between strategic implementation and key performance indicators.

Board reporting and governance documentation

Board reporting and governance was found to be generally robust and sound. The overall quality and effectiveness of board papers has improved through documentation and training of staff in board paper processes and objectives. The risk management policy was significantly overhauled and the company moved to early adoption of a diversity policy.

Macmahon Holdings Ltd

The board undertakes an annual evaluation of its effectiveness as a whole and in committee against a broad range of good practice criteria and may use the assistance of an external facilitator. The chair reviews the performance of individual board members. The board reviews the performance of individual board members prior to any board recommendation given for those directors seeking re-election.

The chair's performance is evaluated periodically by the board. The board may involve an external facilitator for this purpose. During the reporting an evaluation of the performance of the board and its committees was carried out in accordance with the processes outline above.

Any director whose performance is consistently unsatisfactory may be asked to retire.

Macquarie Group Ltd

The board reviews its performance and the performance of each director on an annual basis with a focus on directors standing for re-election. The process for conducting the review is agreed by the board and typically includes individual interviews by the chair with each director and the use of a questionnaire to cover matters such as:

- the board's contribution to developing strategy and policy
- the board's performance relative to its objectives
- interaction between the board and management and between board members
- the board's oversight of business performance and compliance, control risks and management
- board composition, including consideration of relevant skills and structure
- the operation of the board, including the conduct of board meetings and group behaviours.

An independent director is nominated to provide feedback to the chair on the chair's performance based on discussion with the other independent directors.

A written report summarising the results, issues for discussion and recommendations is presented to the board and discussed at a board meeting. Regular board education sessions are held during the year in response to business awareness needs, as identified by the non-executive directors.

In 2011, the board's review is being undertaken internally following the process described above.

Each board committee undertakes a periodic review of its performance, at least biannually. The process for the review also includes use of a questionnaire and discussion of the outcomes, including recommendations, led by the chair of the board committees. During the year, three board committees undertook an evaluation of their performance.

A summary of the processes adopted by Macquarie for board and key executive performance review is available on Macquarie's website.

McPherson's Ltd

McPherson's Limited has undertaken a review of its board and individual directors with respect to the year ended 30 June 2011. The process normally involves all directors meeting with the chair to discuss the outcomes of the review.

Map Group

In 2010 the board conducted a review of the performance of the board, the retiring directors and the committees to which they were appointed in accordance with the process set out in the board charter. The performance assessment was designed to assess the effectiveness of each of the directors as well as review the skills, knowledge and experience of the board as a whole.

In 2010 the performance of individual directors and the board and the committees as a whole was reviewed in accordance with the procedures set out in the board charter.

Metcash Ltd

Annual reviews of the board, its committees and individual directors are performed using a self-evaluation questionnaire, with an independent review conducted each third year using a recognised external board performance consultant. This process was first adopted in 2008.

The self-evaluation questionnaire has been utilised for the 2009 and 2010 financial years and, accordingly, a recognised board performance consultant is conducting the 2011 financial year review.

The 2011 evaluation process is being managed by an external board performance consultant on a confidential basis. Results of the externally produced questionnaire and interviews with all directors and several key management personnel will be provided by way of report to the board in August 2011. The

board expects to respond to the findings of the review during the second half of the 2011 calendar year.

The directors agreed that the evaluation process had been effective and that the individual discussions with the chair had been frank and open. The overall conclusion was that the board and its committees are effective and are operating at a level that has surpassed the high level identified in the 2010 evaluation and that decisions are made in a timely manner.

Mineral Resources Ltd

As part of the annual review of the performance of the board, the appropriate size, composition and terms and conditions of appointment to and retirement from the board are considered. The board also reviews the appropriate criteria for board membership collectively.

The board has established formal processes to review its own performance and the performance of individual directors (including the managing director) and the committees of the board annually.

The board is required to meet annually with the specific purpose of reviewing the role of the board, assessing its performance over the previous 12 months and examining ways in which the board can better perform its duties.

The review will incorporate the performance of the board.

The annual review includes consideration of the following measures:

- (a) a comparison of the performance of the board against the requirements of the board charter
- (b) an assessment of the performance of the board over the previous 12 months, having regard to the corporate strategies, operating plans and the annual budget
- (c) a review of the board's interaction with management
- (d) identification of any particular goals and objectives of the board for the next year
- (e) a review the type and timing of information provided to directors and
- (f) identification of any necessary or desirable improvements to board or committee charters.

The chair will have primary responsibility for conducting performance appraisals of non-executive directors in conjunction with them, having particular regard to:

- (a) contribution to board discussion and function
- (b) degree of independence including relevance of any conflicts of interest
- (c) availability for and attendance at board meetings and other relevant events
- (d) contribution to company strategy
- (e) membership of and contribution to any board committees and
- (f) suitability to board structure and composition.

Where the chair, following a performance appraisal, considers that action must be taken in relation to a director's performance, the chair must consult with the remainder of the board regarding whether a director should be counselled to resign, not seek re-election, or in exceptional circumstances, whether a resolution for the removal of a director be put to shareholders.

Mirvac Group

The performance of the board, the board committees and each individual director is reviewed annually. The board performance review is conducted by way of initial questionnaires completed by each director to review:

- the performance of the board and each board committee against the requirements of their respective charters
- the individual performance of the chair and each other director and
- the processes and procedures of the board, to identify areas for improvement.

The chair provides open and transparent performance feedback to the board, the board committees and each individual director, based on the information in the questionnaire. The chair also seeks feedback on the performance of the board and directors from the managing director and other members of the executive leadership team.

The board performance review process conducted during the year ended 30 June 2011 indicated no major issues or concerns in relation to the board, board committees or individual director performance which require further attention.

Monadelphous Group Ltd

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the nomination

committee conducted performance evaluations which involved an assessment of the board's and senior executives' performance against qualitative and quantitative performance criteria. The performance criteria against which the board and executives are assessed are aligned with the financial and non-financial objectives of Monadelphous.

Mount Gibson Iron Ltd

The company does not at present have a formal process for evaluating the performance of the board, its committees or individual directors. No performance evaluation was performed in the reporting period. In these respects, the company is not in compliance with the ASX Corporate Governance Council Principle 2.5. The evaluation issue is being addressed as part of the review of governance policies and procedures.

Myer Holdings Ltd

The board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of the company.

Accordingly, the board, with the assistance of the nomination and remuneration committee as required, undertakes an annual review and evaluation of the performance of the board (including against the requirements of the board charter), its committees and each individual director. The chair and the company secretary are responsible for the annual review and evaluation.

The review and evaluation that has been undertaken by the board is described below.

During the reporting period, the board, together with the nomination and remuneration committee, reviewed the skills represented by the directors on the board, and whether the composition and mix of those skills remain appropriate for the company.

The board also reviewed the composition of each board committee. During the financial year, the structure of the nomination and remuneration committee was revised, and it was decided to retain four (previously three) committee members.

Following the review described above, Ms Froggatt was appointed as an independent non-executive director of the company with effect from 9 December 2010. Ms Froggatt has extensive executive experience as a human resources specialist in leading international companies. Ms Froggatt was also appointed as chair of the nomination and remuneration committee.

In addition to evaluating the structure and composition, the board and each board committee reviewed their functions and responsibilities. Following this evaluation, the board and each board committee adopted revised charters in October 2010.

The board and each board committee conducted a review of their effectiveness and performance in September 2011. In addition, the board assessed the relationship and interaction between the board and management.

During the reporting period, the chair conducted the annual review of individual directors. Each director completed a board review and assessment document and met privately with the chair to discuss the assessment. In addition to the annual review, the chair regularly provides informal feedback to individual directors.

The nomination and remuneration committee assists in developing and implementing plans for identifying, assessing and enhancing director competencies. As part of this development, in August 2011, the directors participated in a workshop specifically tailored for the company in relation to corporate governance.

Namoi Cotton Co-operative Ltd

The chair and the board conduct an annual assessment of the performance of the board, committees, and the directors. Annual assessments are completed to ensure that the board and its subcommittees are adhering to Namoi Cotton corporate governance principles.

National Australia Bank Ltd

The board conducts an annual assessment of the performance and effectiveness of the board as a whole and of its committees and individual directors. Performance of each committee of the board is initially discussed and reviewed within each committee and then subsequently reviewed as part of the board's annual assessment.

Each director participates in individual interviews with the chair. External experts are engaged as required to review aspects of the board's activities and to assist in a continuous improvement process to enhance the overall effectiveness of the board. When external experts are engaged, the results of the evaluations are compiled to include a quantitative and qualitative analysis and a written report is provided to the chair. The external expert's report disclosing the overall results, and the various issues for discussion and recommendations for initiatives, are presented to the board for discussion.

This process is designed to assist the board in fulfilling its functions and ensuring that it remains an effective decision-making body. The annual performance evaluation for the board, its committees and the individual directors did not utilise an external expert in 2011, but otherwise has been conducted in accordance with the process disclosed in this report.

Navitas Ltd

The performance of the board and its individual directors is reviewed regularly.

The chair of the nomination and remuneration committee conducts individual performance evaluations of the directors, involving an assessment of each board member's performance. During the reporting period, performance evaluations of each board member were conducted in accordance with this process.

The board review process is currently handled internally whereby the performance of the board is assessed against its objectives and responsibilities as set out in the board charter. The current process consists of an informal discussion, and one-on-one meetings between the chair and individual directors. An evaluation of the performance of the board was conducted during the reporting period in accordance with this process.

The process for evaluating the performance of the nomination and remuneration committee and the audit and risk committee involves an internal review by the relevant committee of its performance against its objectives and responsibilities as set out in the relevant committee charter.

An internal review of the performance of the nomination and remuneration committee and the audit and risk committee was deferred pending the comprehensive review referred to in the 'summary' section of this corporate governance statement ... As noted above, performance evaluations for individual directors and key executives were conducted during the reporting period in accordance with the above processes.

Newcrest Mining Ltd

The board undertakes an annual review of its own performance effectiveness and that of its committees and individual directors. This process is led by the chair based on a formal questionnaire and evaluation provided to each board member. The outcomes of the evaluation are reviewed and considered by the board and changes effected where required.

The board completed its most recent reviews in December 2010 and April 2011. As a result, the chair concluded that the board and its committees were operating well, with no areas of concern to be addressed at that time. Consideration to improve the functionality and performance of the board and its committees occurs at regular intervals and the practice of having all directors present at all committees is strongly supported.

New Hope Corporation Ltd

The performance of non-executive directors is reviewed by the remuneration and nomination committee with any unsatisfactory performance referred to the remainder of the board. This review was undertaken during the year.

The efficiency, effectiveness and operations of the board are continuously subject to informal monitoring by the remuneration and nomination committee and the board as a whole.

NIB Holdings Ltd

The board undertakes an annual self-assessment of its collective performance, the performance of the chair, individual directors and of its committees. The performance assessment process conducted in the past financial year was facilitated by an independent third party and included interviews with directors. The chair formally discusses the results of the review with the individual directors. At that meeting the chair and the individual director also discuss the effectiveness of the board and its contribution to the group, board discussion, and the composition of the board and committees.

Each of the board's committees reviews their performance from time to time, or whenever there are major changes to the management structure of NIB Holdings Limited. Both the audit committee and the risk and reputation committee undertook a self-assessment in 2011. As part of this exercise each committee also sought the input of management and external stakeholders who regularly attend committee meetings (that is, the external auditor and the internal auditor).

Norfolk Group Ltd

The full board is responsible for reviewing the performance of the chair. It is the responsibility of the chair, with advice from the board and the nomination and remuneration committee, to assess the performance of the board, its committees, each of the directors and senior management team. The board has a formal performance review process which involves open and constructive dialogue between

the respective parties, taking into account the objectives and measurable results that have been achieved. ...

The board has an ongoing process for the regular self-assessment and review of the performance of the board which includes the completion of a detailed questionnaire by all directors for consideration by the chair and discussion with the board. This process includes consideration of the performance of each of the board's committees. The performance of each individual director is reviewed by the chair. Where appropriate the chair will review an individual director's performance with the other directors.

NRW Holdings Ltd

The board will undertake an annual performance evaluation that reviews:

- performance of the board against the requirements of the board charter
- performance of the board committees against the requirements of their respective charters
- individual performance of the chair, managing director, directors, and chief executive officer and
- the board charter, the committee charters and the procedures of the board with a view to continuous improvement.

Nufarm Ltd

The board is committed to reviewing its performance and ensuring the board has the skills and knowledge to provide appropriate leadership and governance for the company.

For some years now the board has undertaken an annual internal survey of its performance, the results of which are used to monitor and improve performance and identify ongoing development to ensure directors have a suitable level of knowledge of the business.

In the current period, due to board renewal activity, this review was not carried out. However the skill and experience matrix for the board was reviewed and updated as part of the renewal process, and used to articulate the skills and experience the board was seeking in its new directors. During the current period the membership of board committees was also reviewed to provide the best skills mix on each committee.

With the new board members now in place the board will undertake a formal internal review in the 2011–2012 year comprising its self-assessment survey, together with the

chair's assessment of board members against the skills and experience matrix.

An external assessment is being considered in 2013.

Oil Search Ltd

The Oil Search board has a formal annual review process for the board and individual directors. The process involves each director completing a detailed questionnaire covering the performance of the board as a whole, the performance of the three board committees, the individual director's own performance and the performance of the chair. The chair then meets with each director to review their responses to the questionnaire and to give the director the chair's own views on how the director has performed during the year. Due to two board resignations and subsequent appointments of new directors that occurred during 2010, the formal annual review was held over from 2010 and is scheduled to be completed in early 2011.

A more detailed explanation of Oil Search's annual review process for the board and individual directors is available on Oil Search's website in the corporate governance section.

Orica Ltd

Orica has in place a range of formal processes to evaluate the performance of the board, board committees and executives. These processes can be viewed on the Orica website at www.orica.com.

At the conclusion of the year, the board carries out a review of its performance. Directors standing for re-election are subject to a performance review conducted by the board. In addition, each board committee reviews its effectiveness. An independent review of board, committee and director performance is undertaken periodically. During the year the annual board and committee reviews were conducted in respect of the previous financial year in accordance with the process set out above.

Origin Energy Ltd

The nomination committee, which met three times during 2010–2011, provides support and advice to the board by:

- assessing the range of skills and experience required on the board and of directors
- reviewing the performance of directors and the board
- establishing processes to identify suitable directors, including the use of professional intermediaries and
- recommending directors' appointments and re-elections.

[Membership and attendance for each board committee was provided.]

Each year the performance of the directors retiring by rotation and seeking re-election under the constitution is reviewed by the nomination committee (other than the relevant director), the results of which form the basis of the board's recommendation to shareholders. The review considers a director's expertise, skill and experience, along with their understanding of the company's business, preparation for meetings, relationships with other directors and management, awareness of ethical and governance issues, and overall contribution.

The board reviewed the performance of Mr McCann and Mr Beeren who are standing for re-election at the annual general meeting in October 2011. The board found that Mr McCann and Mr Beeren have been high-performing directors and concluded that they should be proposed for re-election. Mr McCann and Mr Beeren abstained from deliberations for their respective reviews.

The board's recommendation on the re-election of Mr McCann and Mr Beeren will be included in the notice convening the annual general meeting.

Every second year, the directors review the performance of the whole board and board committees. A full review was undertaken during financial year 2011 covering the board's activities and work program, time commitments, meeting efficiency and board contribution to company strategy, monitoring, compliance and governance.

OZ Minerals Ltd

The board, with the assistance of the nomination and remuneration committee, regularly monitors its performance and the performance of the directors and committees throughout the year and conducts a formal review of their performance on an annual basis. This may occur through a process consisting of internal review led by the chair, or may in some years, be performed with the assistance of external advisers as considered appropriate.

For the 2010 year, this process was led by the chair based on a formal questionnaire and evaluation provided to each director. The outcomes of the review were discussed and considered by all the directors and the general conclusion was that the board and each of its committees were operating well. The board also reviewed the performance of Mr Pritchard and Ms McGrath who are standing for election at the May 2011 annual general meeting. In order for the board to make a

recommendation as to their election, the criterion for the evaluation of each director is their contribution to specific board objectives, including:

- setting corporate strategies
- identifying, analysing and ensuring that there are appropriate processes and controls in place to mitigate against and to respond to risks and issues
- monitoring the company's progress against its strategic and business objectives
- understanding and analysing the board papers presented by management and the effectiveness of directors at meetings and
- use of industry, financial and broad knowledge to add value to the deliberations of the board.

The board also formulated recommendations to support their continuous improvement taking into account the feedback from the performance questionnaire circulated to all directors and the board's discussions regarding the responses received.

Pacific Brands Ltd

The performance of the board is reviewed biennially by the board with the assistance of the nomination committee and an external adviser. The most recent process of formally reviewing the performance of the board (including board committees) commenced in November 2010 and concluded in March 2011.

The evaluation process included a review of:

- individual performance of the chair and each other director
- the board's membership
- board process and its committees' effectiveness in supporting the board
- the performance of the board and its committees

As part of the 2011 review process, all directors completed a questionnaire and were able to make other comments or raise any issue that they had relating to the board's or a committee's operation. The results of the questionnaire were compiled by the external adviser and a written report provided which included both a quantitative and qualitative analysis. Senior executive input was also sought and provided into the review process. The chair in conjunction with the external adviser provided open and transparent feedback to the board and each individual

director based on the information provided in response to the questionnaire. The board performance review conducted during the 2011 financial year indicated no major issues or concerns in relation to the board, its committees or individual director performance which required further attention.

In addition, a review of each director's performance is also undertaken prior to a director standing for re-election. In the case of directors, other than the chair, the review is undertaken by the chair after consultation with the other directors. In the case of the chair, a non-executive director is delegated the task of reviewing the chair's performance.

PanAust Ltd

With respect to assessing the performance of directors, the chair annually reviews the performance of all directors. Directors whose performance has been unsatisfactory would be asked to retire. In 2008, the board undertook a process of self-evaluation managed by the then newly appointed chair and the company secretary and general counsel. This included an assessment of the performance of the board as a whole and the performance of the director through the circulation and completion of a detailed questionnaire. A two-year appraisal period was considered appropriate.

Following the end of the two-year appraisal period and during the course of 2010, the company undertook its first board review facilitated by an external expert. The facilitator was [a third-party, external consultant firm], with particular expertise in the area of board and senior executive leadership, recruitment and performance assessment. The review involved the issue of questionnaires and the conduct of interviews between the independent reviewer and each director. The results of the review have been discussed at the board level and the outcomes will form the basis for the next two-year appraisal cycle.

PaperlinX Ltd

A review of the performance of the board and individual directors is conducted on a regular basis. The review process is coordinated by the chair in consultation with all directors.

Perpetual Ltd

The board undertakes ongoing self-assessment as well as a formal annual review of the performance of the board, its committees and individual directors. In 2011, the board undertook a review of board and committee performance which is due to conclude shortly. The chair

reviewed with each director their individual performance and, after obtaining feedback from the other directors, a nominated director reviewed the chair's performance. The board review process aims to ensure that individual directors continue to contribute effectively to the board's performance and that the board as a whole and its committees continue to function effectively.

Photon Group Ltd

The chair is responsible, in the first instance, for monitoring the contribution of individual directors, and providing guidance on any areas for improvement.

The board undertakes an annual self-assessment of both its collective performance and that of individual directors and seeks specific feedback from the senior management team on particular aspects of its performance. The remuneration committee oversees this annual performance assessment program.

In addition, each board committee undertakes an annual self-assessment of the performance of the committee and the achievement of committee objectives. ... Performance evaluation of the board, its committees and directors has taken place during the reporting period in accordance with the process disclosed.

PMP Ltd

The appointment and compensation committee is responsible for, among other things, evaluating the performance of the board and individual directors.

Premier Investments Ltd

The nomination purposes of the committee include:

- undertaking regular reviews of the size and structure of the board to ensure that the board continues to have a mix of skills and experience necessary to conduct Premier's business and to make any consequential recommendations to the board ... The board shall undertake regular performance evaluation of itself that
- evaluating effectiveness of the board as a whole, and that of individual directors
- comparing the performance of the board with the requirements of its charter
- setting forth the goals and objectives of the board for the upcoming year and
- effects any improvements to the board charter deemed necessary or desirable.

The performance evaluation shall be conducted in such manner as the board deems appropriate and may involve the use of an external consultant.

Primary Health Care Ltd

The board participates in a confidential, annual evaluation process, involving both self and peer assessment. The evaluation is a useful tool for examining the role, composition, administration and effectiveness of the board and its committees. Evaluation information is used to build a skills matrix which outlines key issues in relation to directors' experience, knowledge and demographic details for the nomination and remuneration committee to identify gaps when planning board succession.

Programmed Maintenance Services Ltd

A board performance evaluation was not conducted during the financial year.

Qantas Airways Ltd

The board undertakes an annual review of its performance, and that of its committees, and periodically engages the assistance of external consultants to facilitate formal board performance reviews.

During 2010–2011 the board undertook an external performance review, which included a series of interviews with directors and executive management and board discussion. The board will undertake an internal review in 2011–2012.

In addition, the board continually assesses its performance and the chair discusses performance with each director during the year.

QBE Insurance Group Ltd

The chair oversees the performance of the board, its committees and each director. The board review process involves an annual assessment of the entire board and each director, comprising a combination of written questions and answers together with an interview with each director. The chair reports the overall results to the board and it is discussed by all directors. This review procedure is a precursor to other directors determining whether to support, via the notice of meeting, a non-executive director for re-election at an AGM. The last board review was completed in accordance with the process above in December 2010 ahead of nominating Mr CLA Irby for re-election at the 2011 AGM. The last board review

included the audit and risk, investment and remuneration committees as the main committees of the board. The review concluded that each committee was operating soundly and meeting the terms of its charter.

QR National Ltd

A performance review is undertaken annually in relation to the board and the board committees. In addition to individual evaluation session between the chair and the individual directors, a formal self-evaluation questionnaire is used to facilitate the annual performance review process.

The annual review of the chair of the board is facilitated by the chair of the governance and nominations committee.

During the year, a review and evaluation of the performance of the board, the chair, each director and each board committee was conducted in accordance with the process described above.

As part its ongoing responsibilities the board actively focuses on strategy development, the development of talent and executive succession, and engagement in the company's operations by undertaking site visits.

Ramsay Health Care Ltd

During the financial year, the board undertook a formal, structured evaluation approved by the board and completed confidentially by each of the directors. Results consistently indicated that the composition, function, procedures, culture, working style, behaviours and administration of the board and the board committees are highly effective and that the board and committees are performing extremely well.

The same evaluation process was undertaken by each of the board committees during the financial year. A 360-degree review of the audit committee was undertaken, with members of senior management and the external auditor completing the evaluation as well as each of the audit committee members. All of the committees were assessed as being effective and highly functional. The evaluation process identified strengths, improvements (particularly over the last 12 months) and areas for increased focus.

As an ongoing process, the chair regularly discusses with each director their individual performance and contribution to the board and board committees.

RCR Tomlinson Ltd

The board undertakes ongoing self-assessment and review of performance of the board, committees and individual directors at least every two years. The chair of the board is responsible for determining the process for evaluating board performance. The performance evaluation process includes completion of a formal assessment and questionnaire that has been approved by the remuneration and nomination committee. Responses to the questionnaire and outcomes from the assessment are tabulated and reported on in a format approved by the board. A copy of that report is provided to the chair and the contents of the report discussed by the full board.

During the year the board undertook a self-assessment and review of performance of the board performance. The outcomes and actions will be evaluated during the coming months.

Reece Australia Ltd

An internal process of evaluation was undertaken during the year of the performance of the board and its committees. This review provided satisfaction to the board that it is effective and appropriate to the company's circumstances.

Reject Shop Ltd

The company conducted an annual performance evaluation of all directors in September 2009 with the current review scheduled for September 2010. Results of these reviews are announced at the annual general meeting each year.

RHG Ltd

The board will assess the performance of individual directors, board committees and the board as a whole, to determine if there is a need during the reporting period for the appointment of any additional directors. Three directors were appointed during the reporting period and the board did not evaluate its performance as the appointments were late in the reporting period.

Ridley Corporation Ltd

This committee (remuneration and nomination committee) is also responsible for evaluating the board's performance; reviewing the size and composition of the board, assessing the necessary and desirable competencies of directors, reviewing board succession plans, senior management succession plans and candidates to fill vacancies, and recommending their evaluations to the board for approval.

The board is responsible for reviewing the performance of the chair.

Rio Tinto Plc / Rio Tinto Ltd

Under the leadership and guidance of the chair and with the support of the company secretary, the directors continue to review the design and effectiveness of the board evaluation processes. These processes have been further refined in 2010 resulting in an annual exercise to evaluate not only the board's effectiveness, but also that of the board committees and individual directors.

Each non-executive director's performance is appraised personally by the chair each year. For 2010, in light of the publication of the new UK Corporate Governance Code, which requires the evaluation of the board to be externally facilitated at least every three years, a range of alternatives for conducting the evaluation of the board and committees was considered. The board concluded that an evaluation process led by Jan du Plessis, in his capacity as chair of the board, managed by the company secretary, but overseen by an independent third party, was appropriate for 2010, since it was considered that this approach would promote further transparency and objectivity and facilitate a challenging and rigorous self-assessment process (summarised below).

For board committees, a similar process was followed with the assistance of the external facilitator, agreed with the committee chair and completed by each committee member and regular attendees.

The senior independent non-executive director leads a discussion involving all of the non-executive directors without the chair in attendance to assess the chair's performance, taking into consideration the views of the executive. Feedback is provided directly to the chair by the senior independent non-executive director.

The chief executive undertakes a performance evaluation of the other executive directors. Taking into consideration the views of the chair and non-executive directors, feedback is often provided directly to the executive directors by the chief executive.

Based upon the results of these evaluations, it was concluded that the board and its committees are operating effectively and that individual directors' performance continues to be effective and demonstrates the level of commitment expected by Rio Tinto.

Based upon the results of these evaluations, it was concluded that the board and its committees are operating effectively.

Key areas of focus for the board were:

- board structure and dynamics
- board composition and capacity
- strategy, planning and risk
- succession planning.

Rivercity Motorway Group

A structured process has been established by the board to review and evaluate the effectiveness of itself, individual directors and interactions with management on a regular basis.

Ruralco Holdings Ltd

The board is committed to transparency in determining board membership and in assessing the performance of directors. The board conducts annual evaluations of its performance, the performance of its committees, the chair, individual directors and the key governance processes that support the board's work. This process enables the board to identify any scope to improve its effectiveness and assist in the board's ongoing directors development program. In particular the process:

- compares the board's performance with the requirements of the board charter including its role and composition, engagement with management shareholders and stakeholders
- assists in setting the goals and objectives of the board for the upcoming year; and
- underpins any desirable improvements to the board charter.

SAI Global Ltd

The board has in place a procedure for the chair to review the overall performance of the board, board committees, and individual directors including the chief executive officer. The results of these reviews are discussed with individual directors and committee chairs.

Salmat Ltd

During the year, the board undertook its annual board performance review. This review considered the contribution made by individual directors and the board as a whole to the performance of the company and sought to identify

areas for improvement. The board considers that an appropriate mix of skills required is in evidence to maximise its effectiveness and contribution to the company.

Santos Ltd

Ordinarily, an external review of the board and individual directors is carried out on a biennial basis and internal reviews of individual directors are conducted annually. The external reviews are carried out by an independent consultant, based on a scope agreed in advance with the board. Internal reviews are facilitated by the chair, in consultation with the nomination committee, and involve formal interviews with each Director, culminating in a written report prepared by the chair.

An external review of the board as a whole commenced in December 2010, together with peer review of all individual directors. This review continued into 2011, culminating in a report in February 2011, and addressed:

- the board's contribution to strategy and policy
- interaction between the board and management
- the board's processes to monitor business performance and compliance
- risk management
- board composition and structure and
- the operation and conduct of the board.

As a result of recommendations arising from the external review, a number of initiatives have been introduced to ensure the continued effectiveness of the board's performance and enable its sustained focus on key issues for the company.

Board committees conduct their own internal review of their performance, structure, objectives and purpose from time to time. The membership of several committees was refreshed in February 2010 and the charters of the remuneration and nomination committees were updated in 2010 to reflect changes in the ASX Corporate Governance Council Principles.

SEEK Ltd

The board reviews its performance internally, from financial year 2011, on an annual basis. Previously, board performance reviews were conducted every two years. From financial year 2011 the board will use surveys for this purpose which are prepared and collated externally to ensure that individual directors and the board as a

whole work effectively in meeting their responsibilities as described in the board charter. The chair of the audit committee will meet annually with the chair to discuss the chair's performance.

Commencing in financial year 2012, the board will conduct externally facilitated reviews on a periodic basis, with the aim to conduct such reviews in every third year. These reviews will incorporate feedback from executives and stakeholders beyond the board.

Service Stream Ltd

During the year, the board assessed its performance and that of its committees and individual members, to ensure its effectiveness in meeting shareholder expectations. The board is also reviewing its process for such performance evaluations to use in future appraisals.

Seven Group Holdings Ltd

The executive chair closely monitors the performance and actions of the board and its committees and meets with individual board members during a financial year to ensure that the board and its committees operate effectively and efficiently. The executive chair and each board member consider the performance of that board member in relation to the expectation for the board member and consider any opportunities for enhancing future performance. Matters which may be taken into account include the expertise and responsibilities of the board member and their contribution to the board and any relevant committees and their functions. During a financial year the chairs of the respective committees also monitor and evaluate the performance of the committee — according to the function and objectives of the committee, its program of work, and the contributions of its members — and discuss the committee's performance with the executive chair and its members. The board continued to develop its processes for evaluation of the performance of the board, its committees and its directors and is conducting a review of the company's reporting to the board and its committees, which includes evaluation of the board, its committees and directors, to ensure it remains appropriate. The board also undertook a similar review process to the process discussed above as part of the committee restructure. The directors' report sets out the number of committees and board meetings under the heading 'Directors' Meetings', including meetings of the audit and risk committee and remuneration committee, as well as the attendance of directors at those meetings.

Seven West Media Ltd

The board undertakes review of its own performance, with external advice as appropriate.

Sigma Pharmaceuticals Ltd

On an annual basis the board reviews the performance of individual directors and the board and also reviews both the number and skills of directors. Sigma sees benefits in having a board with diversity of backgrounds, experience and skills. On a regular basis the board also arranges for a formal, independent performance review of individual directors and the board as a whole to ensure it is operating effectively.

Further details regarding the directors' skills and qualifications and participation in board and committee meetings are set out in Sigma's annual directors' report and remuneration report ... Each committee is comprised of non-executive directors, and the CEO and managing director and relevant senior executives attend by invitation. The committee structure, membership and effectiveness continue to be reviewed on a regular basis.

Sims Metal Management Ltd

The nomination/governance committee is responsible for establishing procedures and overseeing the evaluation of the board. A formal performance evaluation was conducted involving the directors self-assessing the collective performance of the board. As part of the review process, directors were also asked to assess the board's composition and structure, and any areas where the board's effectiveness could be improved. The results of the evaluation, and individual committee assessments, were independently documented and will form the basis for the development of appropriate action plans under the guidance of the nomination/governance committee for the 2012 financial year.

Skilled Group Ltd

The chair has recently completed a review of the board's effectiveness and performance, including in relation to the size and composition of the board and its committees, and the manner in which it functions. This was undertaken by a series of interviews with the non-executive directors, the chief executive officer, the chief financial officer and the company secretary and group general counsel to identify areas of concern and opportunities for improvement.

The chair's report was made available to all directors and considered by the full board. The board's policy Directors and

Board Performance Evaluation is available for review in the corporate governance section of www.skilledgroup.com.au.

Sonic Healthcare Ltd

The board carries out an annual evaluation of its own performance in meeting its key responsibilities in accordance with the board charter, by undertaking the following activities.

- The chair discusses with each director their individual performance and ideas for improvement based on surveys completed by each director assessing their own and each other director's performance.
- The board as a whole discusses and analyses its own performance, including suggestions for change or improvement and assessment of the extent to which the board has discharged its responsibilities as set out in the board charter.

The performance review covers matters such as contribution to strategy development, interaction with management, operation and conduct of meetings, and specific performance objectives for the year ahead.

The board also obtains feedback on their performance and operations from key people such as the external auditors.

Each committee of the board is required to undertake an annual performance evaluation and report the results if this review to the board.

Performance evaluation results are discussed by the board, and initiatives are undertaken, where appropriate, to strengthen the effectiveness of the board's operation and that of its committees. The board periodically reviews the skills, experience and expertise of its directors and its practices and procedures for both the present and future needs of the company.

Southern Cross Media Group Ltd

The performance of individual directors and the board and the committees as a whole is to be reviewed in accordance with the procedures set out in the board charter. Such evaluations took place in the early part of 2010.

SP AusNet

The board acknowledges the importance of the regular review of its performance and the performance of its committees against appropriate measures.

The board periodically undertakes formal evaluation of its performance and the operation of its committees. The performance evaluation process is conducted internally and consists of the completion of a comprehensive questionnaire by the directors. The results of the questionnaire are collated and reviewed by the chair.

Specialty Fashion Group Ltd

The board undertakes an annual self-assessment of its collective performance, the performance of the chair and its committees. The assessment also considers the adequacy of induction and continuing education, access to information and the support provided by the company secretary. Management are invited to contribute to this appraisal process which is facilitated by an independent member of management. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. An assessment in accordance with this process was undertaken during May 2011.

Spotless Group Ltd

The governance and nomination committee facilitates the review of board and committee performance. This committee examines the board's composition and achievements, and makes recommendations to the full board regarding the appropriate mix of skills and experience at the board table from time to time. External advisers will be engaged to assist these processes as necessary.

Matters considered in the assessment may include:

- the effectiveness of discussions and debate at board and committee meetings
- the effectiveness of the board's (and committees') processes and relationship with management
- the quality and timeliness of meeting agendas, board and committee papers and secretarial support and
- the composition of the board and each committee, focusing on the blend of skills and experience.
- The performance of individual directors is assessed against a range of criteria which may include the ability of a director to:
- consistently take the perspective of creating shareholder value
- contribute to the development of strategy
- understand the major risks affecting the business

- provide clear direction to management
- contribute to board cohesion
- commit the time required to fulfil the role and
- listen to and respect the ideas of fellow directors and members of management.

A review of board performance in meeting stakeholder expectations was conducted during the reporting period, led by the chair. The chair reviewed individual director performance with each director during the reporting period.

St Barbara Ltd

Board composition is periodically considered by the board as part of the assessment of its performance.

The board undertook a formal review of its own performance and that of its committees and directors during the 2010 financial year. For the 2011 financial year the chair led an informal review by the board which concluded that the board and its committees are functioning well and that there are no board performance issues which require any remedial action. The board therefore decided to defer a further formal review to the 2012 financial year.

Stockland

The board has instituted a formal annual process to review the performance and effectiveness of the board, the board committees and the individual directors. The human resources committee oversees the process. An external review of the effectiveness of the board was performed during the 2010 financial year, with no issues identified.

As part of the review, each director completes a questionnaire relating to the board's role, composition, procedures, practices and behaviour. The questionnaires are confidential.

The chair leads a discussion of the questionnaire results with the board as a whole. The chair also meets one-on-one with each director annually to discuss their individual contribution, their views on the board's performance and their suggestions for improvement in the board processes and procedures. Following these sessions, the chair provides feedback to individual directors as necessary. The chair of the human resources committee follows a similar process of one-on-one discussions with each director annually to provide feedback to the chair on their performance and effectiveness.

The company has adopted a process requiring each committee chair to lead a discussion at least once per year on their committee's performance and effectiveness.

Directors coming up for re-election are reviewed by the human resources committee and, in their absence, the board considers whether to support their re-election. It is the board's policy that directors offer themselves for re-election only with the agreement of the board. It is the board's policy that directors should serve only for as long as they have the confidence of their fellow board members.

Suncorp Group Ltd

A performance appraisal of the board is conducted annually. An independent consultant is engaged to facilitate the process, usually every second year, and the chair of the board conducts the appraisal every other year.

However, the same methodology and processes (as summarised below) are followed for both internal and external reviews.

The appraisal includes completion of a questionnaire by, and/or interviews with each director and senior executive, the main objectives being to:

- assess the effectiveness of the board as a whole in meeting the requirements of its charter
- assess the performance and contributions of individual directors, including the chair, in assisting the board to fulfil its role and
- identify board processes and structures that require improvement.

The questionnaire results (if applicable) and a summary of the views expressed during the interviews in relation to any of the above matters, or any other matters that directors believe are relevant, are provided to directors in a report prepared by the consultants or the chair. The board as a whole discusses the report and any recommendations for change or improvement are agreed.

Progress against each of the recommendations is assessed in subsequent board reviews. In the years when the questionnaire is completed by an independent consultant, the results may also be benchmarked against other companies.

Following the interview process, the chair may also meet with individual directors to discuss any issues that may have arisen during the interview stage in relation to the director's performance...

Board committee appraisals

The performance of the audit, risk and remuneration committees are subject to an annual assessment of their effectiveness in meeting the requirements of their charters. The assessments are based on the results of questionnaires/checklists completed by each committee. The results are collated and a report submitted to the board for consideration. On the basis of that assessment, committee membership and structure is confirmed or amended.

Assessments of the audit, risk and remuneration committees were conducted in accordance with the above process for the 2010–2011 financial year. The performance of the nomination committee is reviewed as part of the board appraisal, on the basis that all non-executive directors are members of the nomination committee.

Super Retail Group Ltd

The board undertakes an annual performance evaluation of itself that compares the performance of the board with the requirements of the board charter, sets the goals and objectives of the board for the upcoming year and effects any improvements to the board charter that are necessary or desirable.

This evaluation is conducted by the board and includes consideration of the annual assessment of the effectiveness of the board. This assessment was undertaken during June 2011.

Tabcorp Holdings Ltd

The nomination committee is responsible for facilitating an independent review of the performance and effectiveness of the board, its committees and directors every three years. An independent assessment of board performance was undertaken during the 2008–2009 financial year. The assessment process included surveys and interviews with current directors and the executive committee. The results were benchmarked against those of other companies for comparative purposes. The board reviewed the findings and recommendations contained in the report, and further enhancements were implemented.

Tatts Group Ltd

The committee has responsibility for organising board performance evaluation. A board evaluation process (board performance evaluation) and an evaluation process of individual non-executive directors (individual evaluation) occurs every two years, with the next review to occur in the 2012 financial year.

The evaluation processes occur by questionnaire to non-executive directors. The results are then compiled on a confidential basis. The results of the board performance evaluation are discussed by the governance and nomination committee and reported to the board. The results of the individual evaluation are also provided to the relevant director and the chair (and for the chair to the chair of the audit, risk and compliance committee). The results of the individual evaluation undertaken in 2010 for those directors standing for re-election at the 2011 annual general meeting were considered by the governance and nomination committee this year, as were each director's external commitments, when determining whether to recommend those directors for re-election.

Telstra Corporation Ltd

Your board annually reviews its performance (including its performance against the requirements of its charter), the performance of individual committees and the performance of individual directors (including the performance of the chair as chair of the board).

In recent years, these performance reviews have been conducted both internally and externally, generally on an alternating basis. In line with this approach and on the basis that the fiscal 2010 review was undertaken with the assistance of an external facilitator, the fiscal 2011 board performance review (including a review of the board committee and individual director performance) was conducted internally, led by the chair. The process comprised:

- a whole of board discussion around what currently works well and areas for improvement
- one-on-one review meetings between the chair and each director and
- A review of the chair's performance, which was facilitated by the Chair of the audit committee.

As noted above, your board makes recommendations to you, the shareholders, regarding the re-election of directors having regard to the outcome of these reviews.

During the year, the board also implemented the recommendations arising from the fiscal 2010 performance reviews.

Ten Network Holdings Ltd

The board performance and renewal committee has previously been delegated responsibility to review the performance of the board, its committees and individual directors.

The board also undertakes an informal review on an ad hoc basis of the board, its committees and individual directors through the use of internal surveys, regular board discussions and interactions.

Toll Holdings Ltd

During the reporting period, the board determined that an independent performance evaluation of the board, its committees and each director would be conducted. This external evaluation is currently under way and is expected to be completed in September 2011. The evaluation requires each director to complete a detailed questionnaire and to be individually interviewed by the independent evaluator. Details of all responses will be summarised by the independent evaluator, discussed with the chair, and subsequently with both the board and each director individually.

Additionally, as part of this review process, the chair meets with the board as a whole and with each director individually to discuss the effectiveness of the board and each of the committees.

The external performance evaluation and internal discussions conducted by the chair assist in forming the basis for board succession planning and ongoing consideration of the appropriate mix of skills and experience required of the board.

TPG Telecom Ltd

The process for evaluating the performance of the board, its committees and individual directors involves the chair conducting individual interviews with each of the directors at which time they are able to make comment or raise issues they have in relations to the board's operations.

Transfield Services Ltd

Board, committees and director performance is reviewed internally on an annual basis, with an external review undertaken every three years. This year, the board commissioned an external consultant to facilitate the review of board performance. The purpose of the review was to identify strengths and opportunities for improvement in the performance of the board.

The review involved in-depth interviews and the completion of anonymous questionnaires by directors and selected senior executives. The results of the review and recommendations have been communicated to the board and a board workshop is planned to review and discuss the results in more detail and consider the recommendations.

Transpacific Industries Group Ltd

Under its charter, the nomination committee is responsible for undertaking regular reviews of the board's effectiveness, and the effectiveness of the board's committees and individual directors.

No formal performance evaluation of the board was undertaken during the reporting period. A review is being undertaken in the second half of 2011.

Transurban Group

The board acknowledges the importance of the regular review of its own performance, as well as the performance of its committees and individual directors. The board conducts a formal performance evaluation each year and has an external consultant facilitate the process every third year. This arrangement is supplemented by assessments undertaken by committees, the results of which are reported to the board.

A board performance review was conducted during the reporting period. The review involved a detailed assessment by each director of board and committee performance. Directors were specifically asked to comment on the composition and diversity of the current board. The results of the assessment were considered by the board as a whole. The process was then supplemented by one-on-one discussions between each director and the chair, which provided the opportunity for the consideration of individual contributions and issues particular to a director. The actions agreed by the board in response to the performance review have been documented and the completion of these items is monitored by the board.

UGL Ltd

The board continually assesses and reviews its performance to ensure individual directors, the board as a whole and its committees work efficiently and effectively including identifying any gaps in the skills and experience of individual directors and the composition and diversity of the board. The process for conducting the performance review is agreed to by the board and where appropriate the board may appoint external consultants to assist with the process.

It is important for the board to have the skills, knowledge and experience required to effectively steer UGL in the future in response to market developments, opportunities and challenges. For the 2011 financial year, as part of its succession planning program, the board undertook an

assessment and review of its performance. As a result of this review, the board will appoint an independent external provider to undertake a review of the composition of the board to ensure that the board's three-to-five year succession plan meets the needs of the company.

UXC Ltd

The chair of the remuneration and nomination committee conducts an annual survey covering areas of board performance with all directors. At completion of the survey a report is produced which is discussed with the entire board.

In addition to the above, the remuneration and nomination committee annually reviews the composition and effectiveness of all board committees.

Village Roadshow Ltd

Given the company's ownership structure and the composition of the board, the assessment of the board's overall performance and its own succession plan is conducted informally by the chair and directors on an ad hoc basis. While this informal process is at variance to the ASX Corporate Governance Council Recommendations, for the financial year ended June 2011, the directors consider that an appropriate review and adequate evaluation of directors and of committees has been carried out.

Vietnam Industrial Investments Ltd

The board undergoes periodic formal assessment, as and when considered appropriate. The remuneration charter is disclosed on the company's website.

Virgin Blue Holdings

The board conducts an annual self-assessment of the performance of the board, its committees and individual directors. In addition, externally facilitated performance evaluations are undertaken on a regular basis, with the most recent externally facilitated performance evaluation being conducted during the 2010 financial year.

Vita Group Ltd

In line with the recommendations of the ASX Corporate Governance Council, the board conducts evaluations of the board every year. The company's performance evaluation process includes the evaluation of the board, its committees, and individual directors. An evaluation of the board and its committees was undertaken during the reporting period.

WAM Capital Ltd

Under the board of directors charter, the performance of each director was reviewed by the chair during the financial year and the board undertook the annual review of the performance of the chair to ensure the board's activities continue to be efficiently organised and conducted.

Warrnambool Cheese and Butter Factory

The performance of the board, directors and senior management is reviewed on a regular basis. The board, through its nomination and remuneration committee, has implemented a system of board and director assessment, which presently is by a process of self-evaluation. The resulting feedback and consideration of the assessment by the board has led to a review of board committees, proposals for the future composition of the board and further director education.

Washington H Soul Pattinson and Company Ltd

The chair is responsible for monitoring and assessing the performance of individual directors, each board committee and the board as a whole. The chair interviews each director and provides feedback regarding their performance. The board as a whole continuously monitors the efficiency of its operations on an informal basis.

The performance of each director of the company was assessed, as set out above, during the reporting period.

Watpac Ltd

The chair is responsible for evaluating the performance of the individual members of the board, its committees and the company secretary, in consultation with the nomination committee.

WDS Ltd

During the year an internal review was conducted of board performance as part of the annual assessment process.

The performance of individual directors is assessed annually by the chair, and also prior to their nomination for re-election at the annual general meeting.

Western Areas NL

During the year the nominations committee conducted one performance evaluation, which involved an assessment of each board members performance against specific qualitative and quantitative criteria and nominated a candidate as a non-executive independent director to the board.

Wesfarmers Ltd

The nominations committee is responsible for scheduling at least annually a performance review of the individual directors and formal performance reviews of the board and its committees at least every two years. The board then undertakes an evaluation process to review performance. A board committee performance review was conducted in December 2010 and a board performance review was conducted in July 2011, both of which were facilitated by an external consultant.

Westfield Group

The board undertakes ongoing self-assessment and review of its performance and of the performance of the board committees. Board surveys are conducted on a regular basis in order to establish the views of all directors on these issues.

The board is committed to transparency in assessing the performance of the board. As part of this commitment, [a third-party, external consultant] was commissioned to complete a comprehensive, independent assessment of the board of Westfield Group in January 2010. Details of the [third-party, external] assessment and findings are set out in the corporate governance statement in the group's 2009 annual report.

Given that [a third-party, external consultant] completed a comprehensive and independent assessment of the board in January 2010, the board considered that a further review and evaluation of the board performance was not required during the financial year.

Westpac Banking Corporation

The board undertakes ongoing self-assessment as well as commissioning an annual performance review by an independent consultant.

The performance review process conducted in 2011 included interviews by an independent assessor with directors and all senior executives. The review was wide-ranging, with outputs collected and analysed and presented to the board. The board discussed the results and agreed on follow up action on matters relating to board composition, process and priorities.

The chair also discussed the results with individual directors and committee chairs. The full board (excluding the chair) reviewed the results of the performance review of the chair. These results were then privately discussed between the chair and deputy chair.

Whitehaven Coal Ltd

The board periodically undertakes an evaluation of the performance of the board and its committees. The evaluation encompasses a review of the structure and operation of the board, and the skills and characteristics required by the board to maximise its effectiveness, and the appropriateness of the board's practices and procedures to meet the present and future needs of the company.

The most recent evaluation of the performance of the Whitehaven board was conducted in the 2011 financial year.

WHK Group Ltd

The board has a policy to review its performance and the performance of its committees at least annually.

The board evaluation process involves a confidential survey being completed by the directors and senior management. The results are aggregated and discussed by the board in assessing the directors' collective performance and opportunities for improvement. The chair also provides individual feedback to each director based on the survey results, providing opportunity to assess individual contributions, development plans and any specific issues.

Each board committee annually reviews the fulfilment of its responsibilities as set out in its charter and provides a report with recommendations for the board's review. The board provides feedback to the committees including endorsement of recommendations and reconstitution of membership when required.

Annual performance evaluations of the board (and directors) and its committees have been undertaken in accordance with the above process.

Woodside Petroleum Ltd

The nominations committee is responsible for determining the process for evaluating board performance. Evaluations are conducted annually and have produced improvements in board processes and overall efficiency.

The board performance evaluation process is conducted by way of questionnaires appropriate in scope and content to effectively review:

- the performance of the board and each of its committees against the requirements of their respective charters and
- the individual performance of the chair and each director.

The questionnaires are completed by each director and the responses compiled by an external consultant. The reports on board and committee performance are provided to all directors and discussed by the board. The report on the chair's performance is provided to the chair and two committee chairs for discussion. The report on each individual director is provided to the individual and copied to the chair. The chair meets individually with each director to discuss the findings of their report ... A description of the company's process for evaluation of the board, its committees and individual directors is available in the corporate governance section of Woodside's website.

In 2010, performance evaluations of the board, its committees, directors and senior executives took place in accordance with the process disclosed above and in the remuneration report.

Woolworths Ltd

The chair is responsible for monitoring the contributions of individual directors and counselling them on any areas which might help improve board performance. The chair, as chair of the nomination committee, is also responsible for the process for evaluating the performance of the directors, board committees and the board as a whole. The board engages external assistance, as appropriate, in reviewing the performance of the board.

During the reporting period, the board engaged an external adviser who assisted in the conduct of reviews of the board as a whole, its committees and its individual directors.

WorleyParsons Ltd

The nominations committee oversees the conduct of a review of board performance, policies and practice every 12 months. The review includes:

- comparing board performance against agreed relevant criteria and
- examining the board's effectiveness and composition.
- The relevant criteria against which the performance of the board is assessed includes the following:
 - monitoring of business performance
 - regulatory compliance
 - strategy formulation and
 - succession planning.

In addition, informal reviews are conducted as necessary

and any director may suggest that the board conduct an additional formal review earlier than the regular annual review.

From time to time, the board engages external consultants to undertake an independent review of the board and individual directors' performance and effectiveness.

The internal and external review processes complement each other and seek to ensure that the board, its committees and the individual directors are subject to appropriate review mechanisms.

A board evaluation took place during the financial year. This evaluation was conducted in the form of a detailed questionnaire completed by each director, followed by consideration by the board of the aggregated responses. Separate discussions on performance were held by the full board and by the non-executive directors only.

Each standing committee of the board was also evaluated during the financial year utilising a similar process. Committee members completed a detailed questionnaire and the aggregated responses were considered and discussed by the board. In addition, the nominations committee evaluates the performance of individual directors as those directors become eligible for re-election. ■

Appendices

Appendix 1: Companies by market capitalisation as at January 2012

1	BHP Billiton Ltd	31	Coca-Cola Amatil Ltd
2	Rio Tinto Plc / Rio Tinto Ltd	32	Brambles Ltd
3	Wesfarmers Ltd	33	Woodside Petroleum Ltd
4	Woolworths Ltd	34	CSL Ltd
5	Commonwealth Bank of Australia	35	UGL Ltd
6	Westpac Banking Corporation	36	Centro Properties Group
7	National Australia Bank Ltd	37	Newcrest Mining Ltd
8	Australia and New Zealand Banking Group Ltd	38	Incitec Pivot Ltd
9	Telstra Corporation Ltd	39	Ramsay Health Care Ltd
10	Suncorp Group Ltd	40	Bendigo & Adelaide Bank Ltd
11	Caltex Australia Ltd	41	Tatts Group Ltd
12	Leighton Holdings Ltd	42	Westfield Group
13	Qantas Airways Ltd	43	Australian Pharmaceutical Industries Ltd
14	QBE Insurance Group Ltd	44	Automotive Holdings Group Ltd
15	Metcash Ltd	45	Virgin Blue Holdings Ltd
16	Insurance Australia Group Ltd	46	QR National Ltd
17	Macquarie Group Ltd	47	Seven Group Holdings Ltd
18	Origin Energy Ltd	48	Asciano Group
19	Lend Lease Group	49	Sonic Healthcare Ltd
20	BlueScope Steel Ltd	50	Tabcorp Holdings Ltd
21	Sims Metal Management Ltd	51	JB Hi-Fi Ltd
22	Toll Holdings Ltd	52	Sigma Pharmaceuticals Ltd
23	AMP Ltd	53	Stockland
24	AGL Energy Ltd	54	GrainCorp Ltd
25	Downer EDI Ltd	55	Myer Holdings Ltd
26	Orica Ltd	56	Bank of Queensland Ltd
27	WorleyParsons Ltd	57	Spotless Group Ltd
28	Fortescue Metals Group Ltd	58	Santos Ltd
29	Boral Ltd	59	Transfield Services Ltd
30	PaperlinX Ltd	60	Harvey Norman Holdings Ltd

62	Goodman Fielder Ltd	98	Super Retail Group Ltd
63	Fairfax Media Ltd	99	Macmahon Holdings Ltd
64	Crown Ltd	100	Adelaide Brighton Ltd
65	Elders Ltd	101	APA Group
66	Transpacific Industries Group Ltd	102	Duluxgroup Ltd
67	Nufarm Ltd	103	APN News & Media Ltd
68	Mirvac Group	104	NIB Holdings Ltd
69	David Jones Ltd	105	Goodman Group
70	CSR Ltd	106	MAp Group
71	Skilled Group Ltd	107	Ruralco Holdings Ltd
72	Flight Centre Ltd	108	Ten Network Holdings Ltd
73	Hastie Group Ltd	109	Iluka Resources Ltd
74	A P Eagers Ltd	111	Village Roadshow Ltd
75	Billabong International Ltd	112	Norfolk Group Ltd
76	Pacific Brands Ltd	113	CFS Retail Property Trust
77	Reece Australia Ltd	114	Premier Investments Ltd
78	Computershare Ltd	115	DEXUS Property Group
79	Challenger Ltd	116	Salmat Ltd
80	SP AusNet	117	Ausdrill Ltd
81	Boart Longyear Ltd	118	Macarthur Coal Ltd
82	Monadelphous Group Ltd	119	Cardno Ltd
83	Washington H Soul Pattinson and Company Ltd	120	GPT Group
84	Primary Health Care Ltd	121	Cochlear Ltd
85	DUET Group	122	ASX Ltd
86	BrisConnections Group	123	Amalgamated Holdings Ltd
87	Watpac Ltd	124	NRW Holdings Ltd
88	Transurban Group	125	Australand Property Group
89	Ansell Ltd	126	Seven West Media Ltd
90	Programmed Maintenance Services Ltd	127	GWA Group Ltd
91	PMP Ltd	128	IOOF Holdings Ltd
92	New Hope Corporation Ltd	129	Austar United Communications Ltd
93	Chandler Macleod Group Ltd	130	Ridley Corporation Ltd
94	OZ Minerals Ltd	131	Aristocrat Leisure Ltd
95	Bradken Ltd	132	Gunns Ltd
96	Campbell Brothers Ltd	133	iiNet Ltd
97	Hills Holdings Ltd	134	Data#3 Ltd

135	Mount Gibson Iron Ltd	171	Devine Ltd
136	Whitehaven Coal Ltd	172	SAI Global Ltd
137	Navitas Ltd	173	RHG Ltd
138	Mineral Resources Ltd	174	M2 Telecommunications Group Ltd
139	Brickworks Ltd	175	Envestra Ltd
140	Service Stream Ltd	176	Forge Group Ltd
141	RCR Tomlinson Ltd	177	Country Road Ltd
142	GUD Holdings Ltd	178	Namoi Cotton Co-operative Ltd
143	Energy Resources of Australia Ltd	179	WHK Group Ltd
144	Oil Search Ltd	180	Gerard Lighting Group Ltd
145	TPG Telecom Ltd	181	BSA Ltd
146	Specialty Fashion Group Ltd	182	Capral Ltd
147	PanAust Ltd	183	Breville Group Ltd
148	Rivercity Motorway Group	184	Decmil Group Ltd
149	ERM Power Pty Ltd	185	Vita Group Ltd
150	Photon Group Ltd	186	CSG Ltd
151	Alesco Corporation Ltd	187	Ardent Leisure Group
152	Beach Energy Ltd	188	Dicker Data Ltd
153	K&S Corporation Ltd	189	WDS Ltd
154	Reject Shop Ltd	190	Ross Human Directions Ltd
155	UXC Ltd	191	St Barbara Ltd
156	Austal Ltd	192	Autron Corporation Ltd
157	Ausenco Ltd	193	Commonwealth Property Office Fund
158	Perpetual Ltd	194	Infigen Energy
159	Emeco Holdings Ltd	195	Industrea Ltd
160	Sedgman Ltd	196	Challenger Infrastructure Fund
161	Warrnambool Cheese and Butter Factory	197	McPherson's Ltd
162	Vietnam Industrial Investments Ltd	198	Calliden Group Ltd
163	Southern Cross Media Group Ltd	199	SEEK Ltd
164	Western Areas NL	200	Jetset Travelworld Ltd
165	Fleetwood Corporation Ltd	201	Boom Logistics Ltd
166	Aditya Birla Minerals Ltd	202	CMA Corporation Ltd
167	AJ Lucas Group Ltd	203	WAM Capital Ltd
168	Resolute Mining Ltd	204	Gloucester Coal Ltd
169	Fantastic Holdings Ltd		
170	FKP Property Group		

Appendix 2: Companies by rating

Met requirements:

19 companies

Aristocrat Leisure Ltd
Asciano Group
Ausenco Ltd
Bank of Queensland Ltd
Capral Ltd
CSR Ltd
Gloucester Coal Ltd
Macmahon Holdings Ltd
McPherson's Ltd
Namoi Cotton Co-operative Ltd
NRW Holdings Ltd
Perpetual Ltd
Photon Group Ltd
Service Stream Ltd
Transpacific Industries Group Ltd
Virgin Blue Holdings Ltd
Washington H Soul Pattinson and Company Ltd
Wesfarmers Ltd
Woolworths Ltd

Exceeded requirement:

89 companies

Adelaide Brighton Ltd
Aditya Birla Minerals Ltd
Alesco Corporation Ltd
Amalgamated Holdings Ltd
APA Group
APN News & Media Ltd
Ardent Leisure Group
Ausdrill Ltd
Austar United Communications Ltd
Australand Property Group
Australia and New Zealand Banking Group Ltd
Automotive Holdings Group Ltd

Beach Energy Ltd
Bendigo & Adelaide Bank Ltd
BHP Billiton Ltd
Billabong International Ltd
BlueScope Steel Ltd
Boart Longyear Ltd
Boral Ltd
Brambles Ltd
BSA Ltd
Calliden Group Ltd
Caltex Australia Ltd
CFS Retail Property Trust
Challenger Infrastructure Fund
Cochlear Ltd
Commonwealth Bank of Australia
Commonwealth Property Office Fund
Country Road Ltd
David Jones Ltd
Decmil Group Ltd
DEXUS Property Group
Dicker Data Ltd
DUET Group
Duluxgroup Ltd
Elders Ltd
Emeco Holdings Ltd
ERM Power Pty Ltd
Goodman Fielder Ltd
Goodman Group
GrainCorp Ltd
Gunns Ltd
GWA Group Ltd
Hills Holdings Ltd
Incitec Pivot Ltd
Industrea Ltd
Infigen Energy

Insurance Australia Group Ltd
Jetset Travelworld Ltd
Lend Lease Group
Macquarie Group Ltd
Map Group
Metcash Ltd
Mineral Resources Ltd
Mirvac Group
Myer Holdings Ltd
National Australia Bank Ltd
Navitas Ltd
Newcrest Mining Ltd
NIB Holdings Ltd
Nufarm Ltd
Oil Search Ltd
Orica Ltd
OZ Minerals Ltd
Pacific Brands Ltd
Primary Health Care Ltd
Qantas Airways Ltd
QBE Insurance Group Ltd
QR National Ltd
Ramsay Health Care Ltd
RCR Tomlinson Ltd
Rio Tinto Plc / Rio Tinto Ltd
Ruralco Holdings Ltd
SEEK Ltd
Seven Group Holdings Ltd
Sonic Healthcare Ltd
Spotless Group Ltd
St Barbara Ltd
Stockland
Suncorp Group Ltd
Telstra Corporation Ltd
Toll Holdings Ltd
Transfield Services Ltd
Transurban Group

UGL Ltd
Village Roadshow Ltd
WHK Group Ltd
Woodside Petroleum Ltd
WorleyParsons Ltd

**Did not meet requirement:
89 companies**

A P Eagers Ltd
AGL Energy Ltd
AJ Lucas Group Ltd
AMP Limited
Ansell Ltd
ASX Ltd
Austal Ltd
Australian Pharmaceutical Industries Ltd
Boom Logistics Ltd
Bradken Ltd
Breville Group Ltd
Brickworks Ltd
BrisConnections Group
Campbell Brothers Ltd
Cardno Ltd
Centro Properties Group
Challenger Ltd
Chandler Macleod Group Ltd
CMA Corporation Ltd
Coca-Cola Amatil Ltd
Computershare Ltd
Crown Ltd
CSG Ltd
CSL Ltd
Data#3 Ltd
Devine Ltd
Downer EDI Ltd
Energy Resources of Australia Ltd
Envestra Ltd

Fairfax Media Ltd
Fantastic Holdings Ltd
FKP Property Group
Fleetwood Corporation Ltd
Flight Centre Ltd
Forge Group Ltd
Fortescue Metals Group Ltd
Gerard Lighting Group Ltd
GPT Group
GUD Holdings Ltd
Harvey Norman Holdings Ltd
Hastie Group Ltd
Iluka Resources Ltd
IOOF Holdings Ltd
JB Hi-Fi Ltd
K&S Corporation Ltd
Leighton Holdings Ltd
M2 Telecommunications Group Ltd
Macarthur Coal Ltd
Monadelphous Group Ltd
Mount Gibson Iron Ltd
New Hope Corporation Ltd
Norfolk Group Ltd
Origin Energy Ltd
PanAust Ltd
PaperlinX Ltd
PMP Ltd
Premier Investments Ltd
Programmed Maintenance Services Ltd
Reece Australia Ltd
Reject Shop Ltd
RHG Ltd
Ridley Corporation Ltd
Rivercity Motorway Group
SAI Global Ltd
Salmat Ltd

Santos Ltd
Seven West Media Ltd
Sigma Pharmaceuticals Ltd
Sims Metal Management Ltd
Skilled Group Ltd
Southern Cross Media Group Ltd
SP AusNet
Specialty Fashion Group Ltd
Super Retail Group Ltd
Tabcorp Holdings Ltd
Tatts Group Ltd
Ten Network Holdings Ltd
TPG Telecom Ltd
UXC Ltd
Vietnam Industrial Investments Ltd
Vita Group Ltd
WAM Capital Ltd
Warrnambool Cheese and Butter Factory
Watpac Ltd
WDS Ltd
Western Areas NL
Westfield Group
Westpac Banking Corporation
Whitehaven Coal Ltd

**Excluded from research:
three companies (no reference to board review)**

iinet
Resolute Mining Ltd
Sedgman Ltd

Appendix 3: Methodology

Information on the top 200 ASX listed companies by market capitalisation was provided by IBIS on 13 January 2012. During the period of research, four companies ceased trading and so companies 201 to 204 from the same date were included to give our 200 grouping.

The most recent corporate governance statement in the annual report available of each company was used to extract all references to ASXCGC Recommendation 2.5 and these were collated.

Recommendation 2.5 requires disclosure against four dimensions to be made. None refers to the fact of a review of the board (or committees or directors) having been conducted. We developed an additional question (Was a review conducted in the reporting period?) to test the link between the practice of review and the disclosure statement.

As many disclosure statements included additional information (that is, beyond requirements) this was sorted into categories, giving five extra dimensions that were disclosed by some companies. These were compared with disclosures from UK companies and research papers exploring the development of disclosure in publicly listed companies.

Considerable desk research was undertaken and discussions held with authors of various research papers and studies. All reference documents are listed at the end of this report.

The final ten dimensions were agreed as follows.

1. (Essential) Was a review conducted in the reporting period?
2. (Essential) Was a description of the process of review provided, that is, internal or external?
3. (Essential) Did the disclosure refer to the review of the whole board?
4. (Essential) Did the disclosure refer to the review of the board committees?
5. (Essential) Did the disclosure refer to the review of individual directors?
6. (Optional) Was the methodology disclosed, that is, surveys or interviews?
7. (Optional) Were any objectives for the review provided?

8. (Optional) Were any actions or results following the review disclosed?
9. (Optional) Was any rationale for the process or methodology used?
10. (Optional) Was there any perceived value or benefit of the review?

All disclosure statements were then assessed against these ten dimensions.

While the 'letter of the law' (Recommendation 2.5) requires disclosure against four of these dimensions, we have rated all disclosures on the same basis: the four essential dimensions plus the fact of whether a review was completed in the reporting period. In this sense, our assessment criteria require a higher standard of disclosure than Recommendation 2.5; that is, to be rated as meeting all the requirements, the disclosure must include a statement that a review has or has not been conducted in the reporting period.

A simple rating scale was then developed:

- Met requirements (Dimensions 1–5 ESSENTIAL addressed)
- Exceeded requirements (Dimensions 1–5 ESSENTIAL addressed plus some additional information, categorised under Dimensions 6–10 OPTIONAL)
- Did not meet requirements (Dimensions 1–5 ESSENTIAL not addressed).

Given the considerable variation in disclosures, interviews with chairs, directors and company secretaries were arranged to explore attitudes to disclosure and the relationship between board review practice and board review disclosure.

Nine board members and five company secretaries participated in these interviews and the questions used are shown in Appendix 4.

Appendix 4: Interview questions

1. What is the most useful information a board could provide to demonstrate they are genuine in their commitment to performance review?
2. Who do you believe is the primary audience for a disclosure statement (for example, shareholders, regulators, the market generally)?
3. From your experience, how accurately would you say disclosure statements reflect the practice of reviews?
4. How do your boards decide what you do and do not disclose? Who decides this?
5. Do you see any value in disclosing the review process of the board as a whole, individual directors and board committees separately?
6. The outcomes and agreed actions from a board review provide insight into both the board's attitude towards corporate governance and the board's performance. How can boards balance disclosure and confidentiality about outcomes? That is, is there any information that would be considered too sensitive to disclose?
7. Do you think that overall, disclosure inhibits or enhances the value a review? Has the disclosure requirement influenced review practices in your experience?

Appendix 5: Board experience of interviewees

The chairs and directors interviewed for this research drew on significant experience over many years and with many boards. All explained that responses to interview questions were not representing any one board, but more a consolidated view from combined experience.

For this reason, we have listed here the current and recent boards where these chairs and directors are active, as an indication of the experience base from which these interviews were drawn.

- Accountants Superannuation Fund
- AGL Energy Ltd
- Alumina Ltd
- Anglican Retirement Villages
- Arc Energy
- ASX Ltd
- Aust Assets Corp Ltd
- Aust Business Foundation
- Austrade
- Australian Brandenburg Orchestra
- Australian Council for Renewable Energy
- Australian Defence Industries Pty Ltd
- Australian Pharmaceutical Industries Ltd
- Australian Telecommunications Corporation
- Beyond International Ltd
- Biotech Capital Ltd
- Brisbane Airport Corp Ltd
- Central Petroleum
- Clough Ltd
- Coca-Cola Amatil Ltd
- Cochlear Ltd
- Comcare
- Commercial Investment Trust
- Credit Suisse First Boston
- CSIRO
- eChoice Limited
- Defence Housing Australia
- DUET Group
- Energy Australia
- Export Finance & Insurance Corp.
- G E Crane Ltd
- Goodman Fielder Ltd
- GPT Group
- Guild Insurance & Financial Services Holdings Limited
- Health Super
- Hospital Corporation of Australia Pty Ltd
- Industrial Investment Trust
- Integral Energy
- Investment and Financial Services Association
- Job Futures Ltd
- Keybridge Capital Ltd
- Macquarie Group Ltd
- Nat Electricity Code Administrator
- Nextec Corp Pty Ltd
- NSW Growth Centres Commission
- Nucleus Ltd Management
- Optus Pty Ltd
- PHIAC
- Programmed Maintenance Group
- Reserve Bank of Australia
- Resource Pacific Holdings Ltd
- Ridley Corporation Pty Ltd
- Qantas Ltd
- QBE Insurance Group Ltd

- Rural Press Ltd
- SBS
- Spark Infrastructure Group
- Specialty Fashion Group Ltd
- Snowy Mountains Hydro Trading Ltd
- St Vincent's & Mater Health Sydney
- Sydney Water Corporation
- TAB NSW
- Telstra Corporation
- Ten Network Hldgs Ltd
- Textile Industries of Australia Pty Ltd
- Unisuper Limited
- Western Metals Pty Ltd
- Westfield Mgmt Ltd
- Westpac's Life and General Insurance
- Woodside Petroleum Ltd
- Wool International
- Woolworths Ltd
- WorleyParsons Ltd

Appendix 6: Best practice disclosure statements from FTSE 100 companies

Reproduced from ABI *Report on Board Effectiveness*

1. Johnson Matthey — Board and committee performance evaluation

Following the appointment of [the] Chairman Designate on 29 March 2011, the Board instigated a formal external facilitated evaluation of its performance and that of its Committees and individual Directors. This evaluation is being led by [the Chairman Designate] and is being externally facilitated. The evaluation will allow [the Chairman Designate] to gain an objective view of the workings of the Board and of its Committees. The evaluation includes detailed interviews with each director covering the following key areas:

- overall board effectiveness
- board composition and balance
- succession planning
- strategy process
- financial and non-financial monitoring
- risks and management systems and
- the board development plan (including training and site visits).

This evaluation process is ongoing and will be reported on further in next year's Annual Report.

No evaluation

2. Glaxosmithkline — Strategy

- Given the fundamental strategic challenges facing the pharmaceutical industry, the Board will seek to continue to allocate more time on a regular basis to focus on strategic issues and the significant challenges facing the industry, with the direct aim of further enhancing returns to shareholders.
- R&D will continue to be a major expense to the company and the board will be seeking to assess to the extent to which the new policies implemented in recent years have added value.

Internal evaluation

3. Tate and Lyle — Year-on-year disclosure

Performance evaluation

Review of the Board's Effectiveness is undertaken each year. The main outcomes of the 2010 evaluation that was led by the Chairman are summarised below.

Recommendation: More specialist presentations and training sessions to be included in the board agenda.

Action: Directors received detailed presentations during the year and also training on areas including food technology and the UK Bribery Act.

Recommendation: More opportunity to interact with a broader range for employees.

Action: A programme of independent visits was implemented during the year which enables the directors to meet more employees around the Group.

Recommendation: A Corporate Responsibility Committee should be established.

Action: The CR Committee was established on 1 July 2010 and met for the first time in September 2010.

The board agreed that the 2011 board effectiveness review be externally facilitated ... The main themes and observations of the Board's effectiveness were summarised in a report to the Board. It concluded that the Board continued to operate in an effective manner but made a number of recommendations for improvements including those recommendations for improvement summarised below. Progress on agreed actions is being monitored by the Company Secretary and will be reported in the Annual Report in 2012.

Recommendation: In light of the Company's strategic future, future Board composition should be the subject of a detailed review during 2011.

Action: The review is underway and output from that review will be reported in the Annual Report in 2012.

Recommendation: A board diversity strategy should be developed.

Action: The Chairman is leading the project to develop the board diversity strategy in 2011.

Recommendation: Personal development plans should be developed for each of the non-executive directors and the Chairman.

Action: Personal development plans are being established.

Recommendation: It would be useful for the Board to have a series of 'deep dive' sessions every year.

Action: Deep dive topics are being identified and will be included in the board agenda.

External evaluation

4. Barclays: — Year-on-year disclosure

Evaluation statement

Before I describe the 2010 evaluation process and its general outcomes, I provide below a summary of the board's progress against its 2009 action plan:

Key Themes	Actions
Board size and diversity	The Board has reduced in size and is more diverse
Holding additional Board meetings overseas, particularly given the increased size of our US operation	The Board held one meeting overseas in 2010 and plans to hold two meetings overseas in 2011
Increasing visibility of senior executives below Board and Group Executive Committee level	Directors have had more opportunities to interact with senior executives below Board level via briefing sessions, attendance at management conferences and post-Board meeting lunches. The remit of the Board Corporate Governance and Nominations Committee is being extended to cover succession planning at business unit level
Improving the format of strategy presentations to the Board	The form and content of strategy presentations has been revised to include enhanced financial and risk information. In addition to the regular monthly management accounts, the Board receives more detailed financial information on a quarterly basis

The key themes arising from the 2010 evaluation and which will form the basis of the action plan for 2011 are:

- ensuring that board dynamics remain effective following recent membership changes, including the appointment of the new Chief Executive
- ensuring that a wide range of skills, experience, background and diversity on the board is maintained
- continuing the focus on strategic decision making in light of the evolving regulatory environment and
- revising the format at board meetings to allow the Board to devote more time to discussion of key strategic issues, including discussions the evening before Board meetings.

External evaluation ■

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