

CORPORATE GOVERNANCE STATEMENT

ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations – Compliance Checklist

Recommendation	Comply
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes
2.1 A majority of the board should be independent directors.	Yes
2.2 The chair should be an independent director.	Yes
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4 The board should establish a nomination committee.	Yes
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
4.1 The board should establish an audit committee.	Yes
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • has at least three members. 	Yes
4.3 The audit committee should have a formal charter.	Yes
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with Section 295A of the <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
8.1 The board should establish a remuneration committee.	Yes
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

CORPORATE GOVERNANCE STATEMENT

CONTINUED

The board of Maryborough Sugar is charged with the responsibility of ensuring the company is correctly directed, managed and controlled in order to protect the interests of shareholders. At the same time the board is committed to ensuring the company and all its officers and employees conduct business in an ethical, open and accountable manner.

A Framework of Corporate Governance has been implemented to encapsulate the constitution and the codes, charters, policies and procedures which have been adopted by the board to enable it to meet these responsibilities and commitments.

That framework consists of the board charter supported by the documents set out below all of which may be viewed on the company's website: www.marysug.com.au under the Section on corporate governance:

A Code of Conduct for Directors

- i Board Procedures for Directors
- ii Detailed Procedures for Conflict of Interest
- iii Policy on Trading in the Company's Securities

B Code of Conduct for all Employees

C Board Committee Charters

- i Audit Committee
- ii Compliance Committee
- iii Nomination and Remuneration Committee
- iv Market Risk Committee

D Risk Management Policy

E Disclosure

- i Continuous Disclosure Policy
- ii Shareholder Communication Policy

F Statement of Matters Reserved to Board and Delegations to CEO

G Policy for Performance Evaluation of Directors and Executives

H Remuneration Policy

I Workplace Health & Safety Policy

J Environmental Policy

K Privacy Policy

PRINCIPLE 1

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1

Establish and disclose the functions reserved to the board and those delegated to management.

The company has policies and follows practices that effectively clarify the respective roles of board and management. These practices follow this Recommendation and are documented in the Board Charter, a copy of which may be viewed on the company's website.

In addition, the board has adopted a Statement of Matters Reserved to the Board and Delegated to Management which may also be viewed on the company's website.

The letter of appointment for new directors sets out the details of appointment, term of office and expectations under the company's governance framework and is accompanied by copies of the board and board committee charters and all associated policy statements.

Recommendation 1.2

Disclose the process for evaluating the performance of senior executives.

The company follows this Recommendation. Performance evaluations for senior executives have taken place during the current reporting period in accordance with the company's Policy for Performance Evaluation of Directors and Executives. This policy is posted on the company's website.

Recommendation 1.3

Provide the information indicated in the Guide to reporting on Principle 1.

The Annual Report, via this Corporate Governance Statement and elsewhere in the report and through properly disclosed policies, complies with the recommended disclosure of information with respect to Principle 1.

PRINCIPLE 2

STRUCTURE THE BOARD TO ADD VALUE

Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1

A majority of the board should be independent directors.

The board structure follows this Recommendation. Details about directors, including their relevant skills, experience and expertise, their independence and their period in office are disclosed in the Annual Report under the heading 'Board of Directors'. The materiality threshold used for assessing 'independence' is, for substantial shareholdings, that prescribed by the *Corporations Act 2001*; for other financial relationships (currently none) judgement is exercised by the board as to whether or not a relationship is material. There is a procedure in the Board Charter for a director to obtain independent professional advice at the company's expense.

Conflicts of interest are addressed in the board's Detailed Procedures for Conflict of Interest.

Recommendation 2.2

The chairperson should be an independent director.

The company follows this Recommendation. The Chairman's role is described in the Board Charter.

Recommendation 2.3

The roles of chairperson and CEO should not be exercised by the same individual.

The company follows this Recommendation. The responsibilities of the CEO are defined in writing.

Recommendation 2.4

The board should establish a nomination committee.

The company follows this Recommendation and has a Nomination and Remuneration Committee. This committee has a charter and is chaired by an independent director. Among other things, the charter describes the procedure for the nomination and appointment of new directors; the selection process is normally aided by the involvement of outside recruitment consultants, after first determining the balance of competencies required on the board. The charter of the Nomination and Remuneration Committee may be viewed on the company's website.

With respect to the term of directorship, there is currently no fixed term of office for any director. Each year a proportion of the board members retire by rotation in accordance with the company's

constitution and may offer themselves for re-election. The letter of appointment for directors states the board's view that a non-executive director limit his/her appointment to two or three terms (a 'term' being a period of office between the Annual General Meetings when the shareholders re-elect that director by rotation), unless that director is appointed Chairman of the Board in which case a greater number of terms overall will normally be considered appropriate. Notwithstanding the above, the board may decide to relax this recommendation in special circumstances that are deemed by the board to be in the best interests of shareholders.

Recommendation 2.5

Disclose the process for evaluating the performance of the board, its committees and individual directors.

The company follows this Recommendation. A performance evaluation for the board, its committees and directors has taken place during the current reporting period in accordance with the company's Policy for Evaluation of Directors and Executives. This policy is posted on the company's website.

Recommendation 2.6

The Annual Report, via this Corporate Governance Statement and elsewhere in the report, complies with the recommended reporting of information with respect to Principle 2.

**PRINCIPLE 3
PROMOTE ETHICAL AND RESPONSIBLE
DECISION-MAKING**

Actively promote ethical and responsible decision-making.

Recommendation 3.1

Establish a code of conduct to guide the directors, the CEO, the chief financial officer (CFO) and any other key executives as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The company follows this Recommendation. The company has written Codes of Conduct, one for directors and officers of the company and one that applies to all employees. These codes may be viewed on the company's website.

Recommendation 3.2

Disclose the policy concerning trading in company securities by directors, officers and employees.

The company follows this Recommendation. The full text of the trading policy may be viewed on the company's website, and it is based on the following 'black out' periods when trading by designated officers is prohibited: 31 December to the end of the business day immediately following the day that the half year results are released; and 30 June to the end of the business day immediately following the day that the full year results are released.

Recommendation 3.3

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 3.

**PRINCIPLE 4
SAFEGUARD INTEGRITY IN FINANCIAL
REPORTING**

Have a structure to independently verify and safeguard the integrity of the company's financial reporting.

Recommendation 4.1

The board should establish an audit committee.

The company follows this Recommendation.

Recommendation 4.2

Structure the audit committee so that it consists of:

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the board
- at least three members

The company's Audit Committee currently consists of three non-executive, independent directors and its chairman is not Chairman of the board. This structure is considered suitable for the board of a company of comparable size. The Committee members have appropriate qualifications and experience.

Recommendation 4.3

The audit committee should have a formal charter.

The company follows this Recommendation. The charter of the Audit Committee may be viewed on the company's website. Among other roles, the Committee reviews the rotation arrangements of the external audit partner and monitors and satisfies itself about the independence of the external audit firm. The Committee meets at least twice a year and at least once each year the suitability and independence of the external audit firm is reviewed based on enquiries made of management, other board members and the auditor, as well as knowledge of the services the audit firm has provided and the quality of that service.

Following recent growth of the operations the board, through the Audit Committee, is considering implementation of an internal audit function.

The company also has a Compliance Committee and a Market Risk Committee, the charters of which may be viewed on the company's website. With clearly defined responsibility boundaries, these committees review the company's risk management and internal control compliance and control systems. See more information under Principle 7.

Recommendation 4.4

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 4.

**PRINCIPLE 5
MAKE TIMELY AND BALANCED
DISCLOSURE**

Promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.

The company follows this Recommendation. The company's Policy for Continuous Disclosure may be viewed on the company's website. The CEO and CFO are primarily responsible for ensuring

CORPORATE GOVERNANCE STATEMENT

CONTINUED

that all relevant matters are disclosed in a clear and timely manner. At each board meeting, or between meetings if circumstances require, directors and management use a list of possible events as an aide memoir to facilitate decisions about the need for disclosures to the market.

Recommendation 5.2

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 5.

PRINCIPLE 6 RESPECT THE RIGHTS OF SHAREHOLDERS

Respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1

Design and disclose a communications strategy for promoting effective communication with shareholders and encouraging effective participation at general meetings and disclose the policy or a summary of that policy.

The company follows this Recommendation. The company's Shareholder Communication Policy may be viewed on its website. Through this policy the directors seek to keep shareholders properly informed and recently have provided the opportunity for shareholders to receive electronic communications.

Recommendation 6.2

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 6. The company follows this Recommendation.

PRINCIPLE 7 RECOGNISE AND MANAGE RISK

Establish a sound system of risk oversight and management and internal control.

Recommendation 7.1

Establish policies for the oversight and management of material business risks and disclose a summary of these policies. The company follows this Recommendation. The company has set up a Compliance Committee and a Market Risk Committee to review and monitor risk management systems within clearly defined boundaries

of responsibility. The company's Risk Management Policy is posted on its website. The company has also established a Market Risk Management Policy which is considered commercially sensitive and is not disclosed.

Recommendation 7.2

Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively and disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The company follows this Recommendation. Management has designed and implemented risk management and internal control systems and reports on the effectiveness of these systems bi-annually through the Compliance Committee.

The Market Risk Committee currently meets on a monthly basis and, with management, is undertaking continuous review of market risk management systems and reports to the board following each of these meetings. Management has reported to the board in accordance with stated policy, as to the ongoing effectiveness of the company's management of its material business risks.

Recommendation 7.3

Disclose whether assurance has been received from the CEO and CFO that the declaration provided in accordance with Section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.

The company follows this Recommendation. It has adopted a policy and processes that have close regard for the methods set out in the Australian Risk Management Standard (AS4360:2004).

Recommendation 7.4

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 7.

PRINCIPLE 8 REMUNERATE FAIRLY AND RESPONSIBLY

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1

Establish a remuneration committee.

The company follows this Recommendation. Its Nomination and Remuneration Committee (charter and composition) are described above under Recommendation 2.4. This committee makes recommendations to the board on matters relating to remuneration policies and the levels of remuneration for directors and for the CEO.

The names of the members of this Committee and their attendance at meetings are set out in the Annual Report.

Recommendation 8.2

Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The company follows this Recommendation. Non-executive directors are remunerated by fees that are fixed from time to time, plus statutory superannuation contributions. They do not participate in bonus or incentive arrangements, nor in equity-based remuneration such as share options. No retirement benefit, other than superannuation, is available to non-executive directors.

Recommendation 8.3

The Annual Report, principally via this Corporate Governance Statement and the Remuneration Report comply with the recommended reporting of information with respect to Principle 8.