

Corporate Governance Policy – for Listed Australian Equity Investments (2002, adjusted March 2004)

Preamble:

AMP Capital's Corporate Governance Policy – for Listed Australian Equity Investments

AMP Capital Investors takes seriously its responsibilities as an investment manager, as an agent of shareholders in companies and as a steward of its clients' assets. In order to exercise these responsibilities and to assist our clients in achieving the returns on their investments that they expect, we seek high standards of transparency, corporate governance and social responsibility from the companies whose securities we hold.

We therefore monitor and enter into dialogue with companies on key aspects of their corporate governance and their relationship with society as a whole.

In Australia and New Zealand, AMP Capital's Corporate Governance Policy significantly draws upon two public guidelines, namely the "Corporate Governance: A Guide for Investment Managers and Corporations" published in July 1999 by the Investment & Financial Services Association (IFSA) and the ASX Corporate Governance Guidelines which were released in March 2003. Votes are cast on all resolutions. While being guided by the Corporate Governance Policy, votes are ultimately made on a pragmatic, case-by-case basis, and this may also take into consideration the company's record with regard to its financial and social responsibilities.

Disclaimer:

This Policy has been prepared by AMP Capital Investors Limited. It is of a general nature only, current as at the date on the front cover, describing AMP Capital's approach to Corporate Governance. Particular circumstances may mean the Policy is not adhered to in a particular case.

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1 Investment & Financial Services Association (IFSA) as set out in with Guidance Note No. 2.00 of 'Corporate Governance: A Guide for Investment Managers and Corporations', dated July 1999

2 ASX Corporate Governance Council: Principles of Good Corporate Governance and Best Practice Recommendations, dated March 2003

3 The term 'Chairman', which is used throughout this Policy document is defined as the presiding officer of a meeting, committee or board, irrespective of the gender of that person.

Overview:

The AMP Capital Approach to Corporate Governance

AMP Capital, as an investment manager takes the issue of Corporate Governance very seriously. For many years it has been our policy to vote at every meeting where we have the voting authority to do so. Our commitment to effective corporate governance is also evidenced by our involvement with the various industry bodies (eg. The ASX Corporate Governance Council, IFSA's Corporate Governance Committee), our participation in government law reform processes and also the direct discussions we hold with companies on issues of corporate governance.

We believe that by adopting high standards in relation to corporate governance and social responsibility (environmental, employment and community relationships) companies can avoid potential damage to trade or reputation and therefore enhance and protect the long-term wealth-creation of their shareholders.

Our corporate governance activity not only seeks to monitor the integrity of companies in which we invest and reduce the risk of corporate mismanagement and failure, but also seeks to protect the rights of all shareholders. As such, it is in the interest of both the companies in which we invest and our clients that we exercise our right to vote.

Proxy Voting

- It is our policy to lodge a proxy vote at every meeting where we have the voting authority to do so. The proxies are always directed, rather than leaving the vote to the discretion of a third party.
- All issues of Corporate Governance are given due consideration. While our decisions utilise the IFSA guidelines, the ASX Best Practice Guidelines and our own policy as a starting point, on all occasions our votes are balanced with our primary responsibility to achieve the best financial returns for our clients and also our own judgement.

- Matters of 'social responsibility' are discussed with our in-house SRI (socially responsible investment) team, with decisions made on a case-by-case basis.
- Voting intentions are determined by the Manager, Corporate Governance. Controversial resolutions may be discussed with portfolio managers, the Director of Australian Equities, the Chief Investment Officer, the Managing Director (AMP Capital), and/or others, as considered appropriate or necessary.
- We also utilise the services of Corporate Governance International (CGI), an independent organisation providing opinions on the resolutions put to the shareholders of the top 200 Australian listed companies.
- Where we have decided to vote against a particular resolution, we will generally notify the company concerned giving reasons, usually in writing, for our decision.

Other matters of Corporate Governance

- Any other concerns AMP Capital may have with regard to a company's corporate governance would generally be discussed at informal meetings held with the company. We tend not to address these issues in the public forums of Annual General Meetings etc., finding it a more effective point of influence to discuss them privately with the company, before the public meeting.

Karin Halliday
Manager, Corporate Governance

Proxy Voting Guidelines

Purpose:

The following Proxy Voting Guidelines are the set of principles by which we exercise our proxy voting responsibility. It is our objective to vote in accordance with these Guidelines, however on all occasions this must be balanced with our primary responsibility to achieve the best financial returns for our clients and also our own judgement. Rather than strictly adhering to the Guidelines, on all occasions votes are cast using a pragmatic approach.

The IFSA Guidelines for Corporations and the ASX Governance Principles, as summarised below, establish the framework for a sound approach to Corporate Governance. AMP Capital encourages companies to follow these Guidelines.

IFSA Guidelines:

1. Annual disclosure: annual reports should provide information on a company's approach to Corporate Governance in accordance with the ASX listing rules.
2. Composition of the board of directors: the board should have a majority of independent directors. Particular skills, experience and other qualities should be disclosed.
3. Chairman to be an independent director: if not, independent directors should appoint a 'lead' director to monitor issues normally overseen by an independent chairman.
4. Board committees: should be constituted with a majority of independents, with access to appropriate advice, resources and information.
5. Key board committees: requirement for audit, remuneration and nomination committees.
6. Appointment of non-executive directors: formal advice of rights and responsibilities should be given to the director prior to their appointment.
7. Performance evaluation: regular reviews should be conducted of board members' performance.
8. Equity participation by non-executive directors: The establishment and detailed disclosure of a policy to encourage non-executive directors to invest in the company.
9. Respective roles of the board and management: allocation of work should be reviewed regularly.
10. Board and executive remuneration policy and disclosure: annual report disclosure required regarding quantum and components of remuneration for each director and the five highest paid executives.

11. Company meetings: requirements regarding voting, voting results and access to minutes.
12. Disclosure of beneficial shareholder information: requirement to keep market well informed.
13. Major corporate changes: changes that impact shareholder equity or erode share ownership rights should be submitted to a vote of shareholders.
14. Company code of ethics: companies should have a code of ethics that is adopted by the board and is available to shareholders.

ASX Governance Principles

Ten essential corporate governance principles are identified and it is stated that a company should:

1. Lay solid foundations for management and oversight. Recognise and publish the respective roles and responsibilities of board and management.
2. Structure the board to add value. Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
3. Promote ethical and responsible decision-making. Actively promote ethical and responsible decision-making.
4. Safeguard integrity in financial reporting. Have a structure to independently verify and safeguard the integrity of the company's financial reporting.
5. Make timely and balanced disclosure. Promote timely and balanced disclosure of all material matters concerning the company.
6. Respect the rights of shareholders. Respect the rights of shareholders and facilitate the effective exercise of those rights.
7. Recognise and manage risk. Establish a sound system of risk oversight and management and internal control.
8. Encourage enhanced performance. Fairly review and actively encourage enhanced board and management effectiveness.
9. Remunerate fairly and responsibly. Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.
10. Recognise the legitimate interests of stakeholders. Recognise legal and other obligations to all legitimate stakeholders.



Contentious Issues

AMP Capital's approach to Corporate Governance, voting and other issues proposed by public companies is based on the IFSA Guidelines for Investment Managers with regard to their Guidelines for Corporations. Our stance on the more contentious issues is detailed below.

1. Chairman, Board of Directors and Board Committees

It is important to AMP Capital that company boards are appropriately composed. Concerns regarding inappropriate board composition would generally be raised in our routine meetings with the company.

Election of Directors

Votes are generally cast in support of the election of directors endorsed by the board, though due consideration is given to the following factors:

- Has the board performed satisfactorily? Does the board work well? Has it added to shareholder wealth - acknowledging that share price under-performance in a particular period can be outside the control of the board?
- Does the board work in the best interests of all shareholders?
- Are the majority of directors 'independent'? AMP Capital reserves the right to judge a director's independence.
- Is there a good mix of skills, experience and core competencies?
- Does the rest of the board support this director or will his/her election cause the working relationship to be political/ factionalised?
- Is the chairman an independent director? If not, do independent directors have a 'lead' director to monitor issues normally overseen by an independent chairman?
- Is the role of chairman and CEO separate? While we prefer separation of the roles, we do however recognise that in some circumstances the combination of these positions can be justified. Where the roles are combined, reasons for this should be clearly stated, enabling shareholders to make a judgement on the appropriateness in the particular situation.

- Is there a regular and independent review of the performance of the board ?
- Non-executive directors older than 72 years of age are given special consideration. Whilst old age of itself is not a consideration, we carefully consider older directors' merits and capacity to perform. We also bear in mind the need to encourage succession and new contributors.
- Are all members of the board able to devote the necessary time to the important tasks entrusted to them?

Board Committees

Companies are encouraged to form board committees (audit, remuneration and nomination). The committees should all be chaired by an independent director and at least a majority of the committee should be independent directors.

- The audit committee's tasks should include assisting the board to discharge responsibilities in connection with the financial management, financial performance and financial reporting of the company.
- The remuneration committee's tasks should include reviewing the remuneration of directors and senior management, ie. whether the directors' remuneration adequately reflect their responsibilities and risk and whether senior management's remuneration promotes long-term growth in shareholder value and is reasonable when compared with industry benchmarks.
- The nomination committee's tasks should include proposing new nominees to the board and advising on the procedures for an assessment of directors' performance.

2. Remuneration / Compensation

Resolutions regarding remuneration are assessed on a case-by-case basis, taking in-to account details provided by the company regarding the nature of the payments, the company's financial situation, executive performance and any other factors seen as relevant at the time.

We would prefer boards to clearly disclose and explain all aspects of executive remuneration policies to enable shareholders to understand the total remuneration package when determining whether to support any proposed scheme.

Whilst the quantum of remuneration has rarely been opposed, we do consider its appropriateness and question the company if concerns arise. Levels of remuneration/compensation will not be supported without discussion with the company if they are considered to be excessive and have a low cost-to-benefit ratio. Resolutions proposing options are supported where the options are struck with appropriate performance hurdles, exercise period, and exercise price and where they do not represent excessive dilution.

Options issued in lieu of cash remuneration are generally viewed positively. Companies are encouraged to provide detailed background information regarding the nature of the payment, eg. whether it forms an incentive payment or a component of salary. Resolutions to reprice existing options are not viewed favourably. The provision of limited recourse loans to finance the acquisition of securities or the exercise of options is also discouraged.

Employee Share and Option Plan Guidelines

Employee share and option plans are supported as they enhance the common purpose between employees, shareholders and the company. If designed properly these plans provide incentives for employees to increase productivity and should be offered to a broad range of employees. Plans should be designed such that they reward and motivate staff and drive improved company performance.

Employee share purchase plans are supported where the discount is reasonable, ie below 15%.

Executive Share and Option Incentive Plan Guidelines

Consistent with the Executive Share and Option Incentive Scheme Guidelines issued by IFSA, we support the issue of securities to executives. We encourage companies to design transparent plans that 'encourage senior members of the company's executive team to ensure the company performs well for the shareholders through long-term growth and increasing shareholder value'.

We will generally support executive share and option plans where they provide a method of improving company performance through motivating and retaining key employees. Plans should:

- clearly state their objectives;

- reflect the responsibilities of the executives;
- be reasonable when compared to the market;
- be transparent in providing detail on short-term, long-term and total remuneration;
- be of sufficient duration to retain key executives beyond the short-term; and
- in the case of incentive plans, be designed to reward future superior performance, being clearly linked to appropriate benchmarks. Benchmarks should be challenging, achievement of which genuinely improves the competitiveness of the company.

Rewards should be based on actual company performance in terms of long-term growth, resulting in increased value for shareholders rather than being merely linked to a general market indicator. 'Straight' tests of performance are preferred to 'double' hurdles, as double hurdles (such as the requirement to meet both a relative and an absolute benchmark) are often too difficult to achieve and therefore lack sufficient motivating power.

Remuneration of Non-Executive Directors

Consistent with the IFSA guidelines, we would prefer that equity participation by non-executive directors not be acquired through an option plan that has been designed for the executives whose role it is to manage the company. Non-executive director's options plans are generally NOT supported as they may give rise to a conflict of interest. Non-executive directors should represent the general body of shareholders and it is felt that aligning their financial interests with those of management and employees in this way could prejudice their independence, stifling the independent's analysis and/or criticism of the actions of management.

Non-executive directors should rather be encouraged to invest their own capital in the company or to acquire securities from allocation of a portion of their fees. Ideally, the Board is not only responsible for the short-term price performance of the securities but also for creating an economic entity of value.

3. Changes to the Company. Variation of the rights attached to a class of securities

Votes on material changes to a company such as the amendments to the constitution, changing the company's type (eg. from a 'no liability' to a 'limited' company), changing the company's name, etc are decided on a case-by-case basis. Before resolutions are supported we must be



comfortable that they are either required by law and/or that they are in the best interests of shareholders. Unequal voting rights are generally not supported.

4. Specific Transactions

Our positions on specific transactions such as reductions of capital, selective buy-backs, large placements of securities and related-party transactions are decided on a case-by-case basis. Resolutions are supported where they are in the best interests of shareholders and opposed where they have adverse consequences for existing shareholders.

- Buy-backs should be done for legitimate corporate purposes and should preferably be for a set amount, over a set time period.
- Increase of issued capital will be supported where the funds raised will be used for 'reasonable' purposes, such as DRP, share-split etc.
- AMP Capital supports share placements that are in the best interests of shareholders. We abstain from voting where AMP Capital has participated or expects to participate in the placement of securities. The votes of related parties are excluded.
- The size of the placement must not be excessive, eg. raising only the capital required over the next 12 months, unless compelling reasons have been given.

5. Appointment and removal of the Auditor

Nominations are supported for auditors that are independent and provide a high quality audit of the company's financial statements.

In order to assist in monitoring the independence and objectivity of the audit, an assessment of the financial relationship between the company and the auditor may be made. Where the 'non-audit' fees appear too high relative to 'audit' fees and there is no obvious explanation, justification may be sought, particularly if the composition of the audit committee does not meet the IFSA guidelines.

6. Appropriate rights for Shareholders and Directors

AMP Capital generally votes against:

- Resolutions that limit shareholder rights.
- Proposals that request increased indemnification of directors and officers due to damages caused by negligence and unreasonable breaches of 'duty of care'.
- Loans to officers (eg to buy securities). This includes limited recourse loans provided to executives to fund acquisitions of securities or the exercise of options under executive share and option plans. We also monitor companies track records with regard to loans, particularly focussing upon whether loans are later forgiven.

7. Social Responsibility

At AMP Capital, we will utilise our in-house SRI (socially responsible investment) expertise to monitor the practices of companies in relation to matters such as the environment, employment and community relationships.

Where a company's activity is found to fall short of appropriate standards, jeopardising their share price performance, we will contact that company and determine their commitment to best practice by seeking disclosure of their policy and their process to implement and monitor such policy. For more serious, blatant and/or intentional disregard of social responsibility, we may elect to abstain or vote negatively on any resolution proposed, utilising our voting power to influence the company.

Decisions regarding how we will vote on specific resolutions relating to the 'sustainable development' and 'corporate social responsibility' will be made in consultation with our SRI team. While all 'shareholder sponsored resolutions' are dealt with on their individual merits, we are more likely to support the 'single-issue' resolutions that would provide a benefit all shareholders. Final decisions with regard to voting intentions will only be made after weighing the company's record with regard to social responsibility and/or the pros and cons of a particular resolution, against our primary responsibility to achieve the best financial returns for clients.

Further information

Important note: While every care has been taken in the preparation of this document, AMP Capital Investors Limited (ABN 59 001 777 591) (AFSL 232497) makes no representation or warranty as to the accuracy or completeness of any statement in it. The contents of this Policy do not constitute investment advice and should not be relied upon as such. Except where liability under any statute cannot be excluded, AMP Capital, its employees and officers do not accept any liability (whether under contract, tort or otherwise) for any resulting loss or damage suffered by the reader or by any other person. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to the investor's objectives, financial situation and needs. This document is solely for the use of the party to whom it is provided.

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If you would like to know more about how AMP Capital can help you, please contact one of the following:

Financial Planners

AMP Capital's Investment Representative on 1300 139 267

Personal Investors

Your Adviser or Financial Planner

Wholesale Investors

AMP Capital's Client Service Team on 1800 658 404

or visit www.ampcapital.com.au