

# Corporate Governance

At Coca-Cola Amatil (CCA), the Board of Directors is committed to achieving best practice in the areas of corporate governance and business conduct. This Corporate Governance Statement reports on the main corporate governance principles and practices followed by CCA as required by the ASX Listing Rules.

The Company has followed the best practice recommendations established in the ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations'.

## The role of the board

The Board represents shareholders and has the ultimate responsibility for managing CCA's business and affairs to the highest standards of corporate governance and business conduct. The Board operates on the principle that all significant matters are dealt with by the full Board and has specifically reserved the following matters for its decisions:

- the strategic direction of the Company;
- approving budgets and other performance indicators, reviewing performance against them and initiating corrective action when required;
- ensuring that there are adequate structures to provide for compliance with applicable laws;
- ensuring that there are adequate systems and procedures to identify, assess and manage risks;
- ensuring that there are appropriate policies and systems in place to ensure compliance;
- monitoring the Board structure and composition;
- appointing the Group Managing Director (MD) and evaluating his or her ongoing performance against predetermined criteria;
- approving the remuneration of the MD and remuneration policy and succession plans for the MD and senior management;
- ensuring that there is an appropriate focus on the interests of all stakeholders; and
- representing the interests of and being accountable to the Company's shareholders.

To assist in its deliberations, the Board has established five main committees which, apart from routine matters, act primarily in a review or advisory capacity. These are the Related Party Committee, Nominations Committee, Audit & Risk Committee, Compensation Committee and Compliance & Social Responsibility Committee. Details of each Committee are set out in this report. The delegation of responsibilities to those committees will only occur provided that sufficient systems are in place to ensure that the Board is meeting its responsibilities. The responsibility for implementing the approved business plans and for the day-to-day operations of CCA is delegated to the MD who, with the management team, is accountable to the Board.

## Composition of the Board

The composition of the Board is based on the following factors:

- the Chairman is a Non-Executive Director and is independent;
- the MD is the Executive Director;
- The Coca-Cola Company has nominated two Non-Executive Directors (currently Geoffrey Kelly and Irial Finan);
- the majority of the Non-Executive Directors are independent;
- one third of the Board (other than the MD) is required to retire at each Annual General Meeting and may stand for re-election. The Directors to retire shall be those who have been longest in office since their last election;
- a Director who has been appointed by the Board to fill a casual vacancy is required to be considered for re-election by the shareholders at the next Annual General Meeting.

The Board is comprised of the following nine members:

Name	Position	Independent	Appointed
David Gonski, AC	Chairman, Non-Executive Director	Yes	1997
Catherine Brenner*	Non-Executive Director	Yes	2008
Jillian Broadbent, AO	Non-Executive Director	Yes	1999
Wal King, AO	Non-Executive Director	Yes	2002
David Meiklejohn	Non-Executive Director	Yes	2005
Mel Ward, AO	Non-Executive Director	Yes	1999
Irial Finan**	Non-Executive Director	No	2005
Geoffrey Kelly**	Non-Executive Director	No	2004
Terry Davis	Executive Director and Group Managing Director	No	2001

\* Appointed 2 April 2008

\*\*Nominated by The Coca-Cola Company

## Directors – independence

A Director is considered independent provided he or she is free of any business or other relationship with CCA or a related party, which could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement. A related party for this purpose would include The Coca-Cola Company.

When a potential conflict of interest arises, the Director concerned withdraws from the Board meeting while such matters are considered. Accordingly, the Director concerned takes no part in discussions nor exercises any influence over the Board if a potential conflict of interest exists. Transactions with The Coca-Cola Company are reviewed by the Related Party Committee. Related party transactions are disclosed in Note 36 to the financial statements.

## Related Party Committee

The Related Party Committee is comprised of the six independent Non-Executive Directors (and does not include any Directors who are or have been associated with a related party. The MD and the CFO attend meetings by invitation).

The Committee reviews transactions between CCA and its related parties to ensure that the terms of such transactions are no more favourable than would reasonably be expected of transactions negotiated on an arms length basis. It meets prior to each scheduled Board meeting to review all material transactions of CCA in which The Coca-Cola Company, or any other related party, is involved.

### Directors – selection

The composition of the Board is considered regularly by the Nominations Committee and any recommendations presented to the full Board. The review ensures that the Board has available an appropriate mix of abilities and experience to serve the interests of all shareholders.

The process of appointing a Director is that, when a vacancy exists or is expected, the Nominations Committee identifies candidates with the appropriate expertise and experience. The Board reviews the candidates and the most suitable person is either appointed by the Board and comes up for re-election at the next Annual General Meeting or is recommended to shareholders for election at a shareholders' meeting.

CCA also encourages its shareholders to nominate persons of suitable skills and experience for Board positions. The website contains a nomination form and any nomination, made in good faith, will be considered by the Nominations Committee.

#### Nominations Committee

The Nominations Committee is comprised of six independent Non-Executive Directors (it does not include any Directors who are or have been associated with a related party). The Committee reviews the Board's composition to ensure that it comprises Directors with the right mix of skills and experience to enable it to fulfil its responsibilities to shareholders. The Committee also identifies suitable candidates for appointment to the Board and reviews general matters of corporate governance. The Committee has also been given responsibility for reviewing the Company's standards of corporate governance.

### Directors – induction and training

On appointment, each Non-Executive Director is required to acknowledge the terms of appointment as set out in their letter of appointment. The appointment letter covers, inter alia, the term of appointment, duties, remuneration and expenses, rights of access to information, other directorships, dealing in CCA's shares and termination.

On appointment, each Director is provided with the Company's policies and briefed on the content by the Company Secretary. Directors have available to them a series of training programs, covering such topics as the Board's role, Board composition and conduct, risks and responsibilities of company directors, to ensure that they are fully informed on current governance issues.

### Independent professional advice

For the purposes of the proper performance of their duties, Directors are entitled to seek independent professional advice at CCA's expense. Before doing so, a Director must notify the Chairman (or the MD in the Chairman's absence) and must make a copy of the advice available to all Directors.

## Ethical standards

### Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. To this end, CCA has established a formal Code of Conduct, which requires management and employees to adopt high ethical standards in all of CCA's activities.

The Audit & Risk Committee is responsible for ensuring effective compliance policies exist to ensure compliance with the requirements established in the Code of Conduct.

The Code contains procedures for identifying and reporting any departures from the required standards. CCA has also established a system for distribution of the Code at appropriate intervals to employees and for them to acknowledge its receipt.

The Code sets standards of behaviour expected from everyone who performs work for CCA – Directors, employees and individual contractors. It is also expected that CCA's suppliers will enforce a similar set of standards with their employees.

### Share ownership and dealings

Under the terms of the Non-Executive Directors' Share Plan, a minimum of 25% (and up to 100%) of CCA Directors' base fees are salary sacrificed by each Director. An amount equivalent to the fees sacrificed is contributed to the Non-Executive Directors' Share Plan for the benefit of that Director. Details of all holdings by Directors in the Company are set out in the Directors' Report on page 15.

Directors are subject to the Corporations Act 2001 which restricts their buying, selling or subscribing for securities in CCA if they are in possession of inside information. The Board has also adopted a formal policy for share dealings by Directors and senior management. Except for shares purchased on the first business day of each month under the Non-Executive Directors' Share Plan, the policy allows for the buying and selling of CCA shares only during the four week periods following the release of the full year and half year results and the Annual General Meeting, unless exceptional circumstances apply. The policy prohibits speculative transactions involving CCA shares and reinforces the prohibition on insider trading contained in the Corporations Act 2001.

## Financial reporting

The MD and Chief Financial Officer have provided a written certificate to the Board that the Statutory Accounts comply with Accounting Standards and other mandatory reporting requirements in all material respects, that they give a true and fair view in all material respects of the financial position and performance of the Company, and that management's risk management and internal controls over the financial report are operating effectively and efficiently in all material respects.

## Risk management

The Board is responsible for ensuring that there are adequate systems and procedures in place to identify, assess and manage risks. CCA's Audit & Risk Committee reviews reports by members of the management team (and independent advisers, where appropriate) during the year and, where appropriate, makes recommendations to the Board in respect of:

- overall business risk in CCA's countries of operation;
- treasury risk (including currency and borrowing risks);
- procurement;
- insurance;
- taxation;
- litigation; and
- other matters as it deems appropriate.

The Committee also reviews and, where appropriate, makes recommendations to the Board in respect of policies relating to the above matters. This includes ensuring that CCA has systems that identify, assess, monitor and manage risk. The internal and external audit functions also review CCA's risk assessment and management. The internal and external audit functions are separate and independent of each other.

In addition to the risk management duties of the Audit & Risk Committee, the Board has retained responsibility for approving the strategic direction of CCA and ensuring the maintenance of the highest standards of quality. This extends beyond product quality to encompass all ways in which CCA's reputation and its products are measured. The Board monitors this responsibility through the receipt of regular risk assessment reports and management presentations.

### Audit & Risk Committee

The Audit & Risk Committee comprises four Non-Executive Directors (the MD and Chief Financial Officers (CFO) attend meetings by invitation). The Committee is chaired by an independent Non-Executive Director who is not the Chairman of the Board.

The key responsibilities of the Committee are: Audit – the review of the auditor's performance, the professional independence of the auditor, audit policies, procedures and reports, as a direct link between the Board and the auditor. Financial Statements – the review of CCA's financial statements, the effectiveness and compliance with accounting policies and standards and adequacy of disclosures. Risk Management – the review of policies and reports on all major categories of risk including, but not limited to, overall business risk in CCA's operations, treasury risk (including currency and borrowing risks), procurement, insurance, taxation and litigation.

The Committee ensures that there are effective policies covering such matters as treasury policy, procurement policy, code of conduct and whistle blowing.

## Continuous disclosure

The following principles, consistent with the continuous disclosure obligations under ASX Listing Rules, govern CCA's communication:

- CCA will, in accordance with the ASX Listing Rules, immediately issue to ASX any information that a reasonable person would expect to have a material effect on the price or value of CCA's securities;
- CCA's Disclosure Committee manages the day-to-day continuous disclosure issues and operates flexibly and informally. It is responsible for compliance, coordinating disclosure and educating employees about CCA's communication policy; and
- all material information issued to ASX, the Annual Reports, full year and half year results and presentation material given to analysts is published on CCA's website ([www.ccamatil.com.au](http://www.ccamatil.com.au)). Any person wishing to receive advice by email of CCA's ASX announcements can register at [www.ccamatil.com.au](http://www.ccamatil.com.au).

The Company Secretary is the primary person responsible for communication with ASX. In the absence of the Company Secretary, the Investor Relations Manager is the contact.

Only authorised spokespersons can communicate on behalf of the Company with shareholders, the media or the investment community.

## Communication with shareholders

The rights of CCA's shareholders are detailed in CCA's Constitution. Those rights include electing the members of the Board. In addition, shareholders have the right to vote on important matters which have an impact on CCA.

To allow shareholders to effectively exercise these rights, the Board is committed to improving the communication to shareholders of high quality, relevant and useful information in a timely manner. CCA has adopted the following communication framework:

- an ongoing communication program – regular, comprehensive and publicly available disclosures to be undertaken covering important topics including performance and governance issues;
- contact information – contact details for the Investor Relations department and Company Secretary are provided to facilitate and encourage communication;
- communication responsibilities – identification of the items that are appropriate for Board comment and those for management comment;
- communication policy – a publicly disclosed policy that covers all forms of communication, including meetings, telephone calls, email and other written communications; and
- policy review – regular Board review to ensure adherence to the communication policy.

CCA's communication policy (a copy is available on the Company website at [www.ccamatil.com.au/disclosurepolicy.asp](http://www.ccamatil.com.au/disclosurepolicy.asp)) requires that shareholders be informed about strategic objectives and major developments. CCA is committed to keeping shareholders informed and improving accessibility to shareholders through:

- Australian Securities Exchange (ASX) announcements;
- company publications (including the Annual Report and Shareholder News);
- the Annual General Meeting (and its web casting);
- the Company website ([www.ccamatil.com.au](http://www.ccamatil.com.au));
- the investor contact number (61 2 9259 6159); and
- a suggestion box on the website.

### Communication with shareholders continued

CCA's shareholders are encouraged to make their views known to the Company and to directly raise matters of concern. From time to time, CCA requests meetings with its shareholders and shareholder interest groups to share views on matters of interest. The views of those parties are shared with the Board on a regular basis, both by the Chairman and management.

#### Annual General Meeting

Shareholders are encouraged to attend CCA's Annual General Meeting and use this opportunity to ask questions. The Annual General Meeting will remain the main opportunity each year for the majority of ordinary shareholders to comment and to question CCA's Board and management.

CCA is committed to improving the efficiency of its Annual General Meetings and encourages participation of shareholders through:

- the prior collection of shareholder questions for answering during the meeting. Questions can be submitted either by completing the relevant form accompanying the notice of meeting or by emailing CCA at [aus\\_investor\\_relations@anz.ccamatil.com](mailto:aus_investor_relations@anz.ccamatil.com). Questions that have been lodged, and their answers, are posted on the Company website at the FAQ section;
- providing a process to ensure that shareholders are considerate of each other's right to participate;
- providing an opportunity after each Annual General Meeting to discuss matters with the Board and management; and
- web-casting the proceeding for shareholders unable to attend in person. Copies of the speeches delivered at the meeting are posted to the website after delivery.

Further, the external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### Directors – performance review

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 put to shareholders to vote on the re-election of that Director. The last performance review was undertaken in 2007.

### Remuneration

On an annual basis, the Compensation Committee obtains data from external remuneration sources to ensure the Company's remuneration practices are in line with market conditions. Full details of the Committee's responsibilities and the Remuneration Policy are set out in the Remuneration Report on page 18 of this Annual Report.

#### Compensation Committee

The Compensation Committee comprises four Non-Executive Directors (the MD attends by invitation). A majority of members must be independent Non-Executive Directors.

The Committee reviews matters relating to the remuneration of the Executive Director and senior management, as well as senior management succession planning.

### Interests of stakeholders

CCA acknowledges the importance of its relationships with its shareholders and other stakeholders including employees, contractors and the wider community. CCA believes that being a good corporate citizen is an essential part of business and pursues this goal in all the markets in which it operates. In 2007, CCA published its first Sustainability Report which focuses on four pillars of commitment – Environment, Marketplace, Workplace and Community. This Report can be viewed on the CCA website at [www.ccamatil.com.au](http://www.ccamatil.com.au).

The Compliance & Social Responsibility Committee was established in 2006. The structure and responsibilities of the Committee are set out below.

#### Compliance & Social Responsibility Committee

The Compliance & Social Responsibility Committee comprises five Non-Executive Directors. The Committee regularly reviews and reports to the Board on compliance with laws including occupational health and safety, environmental protection, product safety and trade practices.

The Committee also reviews policies reflecting on the Company's reputation, including quality standards, dealing in the Company's securities and disclosure. In respect of social responsibility, it reviews reports and makes recommendations to the Board, where appropriate, in respect of political donations, community sponsorship and support and all issues pertaining to sustainability that may be relevant to the Company.

### Other board committees

To assist in its deliberations, the Board has established a further two committees which attend to routine matters:

The Administration Committee and the Securities Committee meet as required.

Composition: Any two Directors or a Director and the CFO.

The Administration Committee attends to routine matters, particularly the execution of documents in the normal course of business.

The Securities Committee attends to routine matters relating to the allotment of securities.

## Best practice recommendations

The following table summarises CCA's compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

	<b>Compliance</b>	<b>2007 Annual Report reference</b>
<b>1.1</b> Formalise and disclose the functions reserved to the Board and those delegated to management.	✓	page 9
<b>2.1</b> A majority of the Board should be Independent Directors.	✓	page 9
<b>2.2</b> The Chairperson should be an Independent Director.	✓	page 9
<b>2.3</b> The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	✓	page 9
<b>2.4</b> The Board should establish a Nomination Committee.	✓	page 10
<b>2.5</b> Provide the information indicated in Guide to reporting on Principle 2.	✓	
<b>3.1</b> Establish a code of conduct to guide Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the Company's integrity; and</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	✓	page 10
<b>3.2</b> Disclose the policy concerning trading in Company securities by Directors, officers and employees.	✓	page 10
<b>3.3</b> Provide the information indicated in Guide to reporting on Principle 3.	✓	
<b>4.1</b> Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	✓	page 10
<b>4.2</b> The Board should establish an Audit Committee.	✓	page 11
<b>4.3</b> Structure the Audit Committee so that it consists of: <ul style="list-style-type: none"> <li>• only Non-Executive Directors;</li> <li>• a majority of Independent Directors;</li> <li>• an independent Chairperson, who is not Chairperson of the Board; and</li> <li>• at least three members.</li> </ul>	✓	page 11
<b>4.4</b> The Audit Committee should have a formal charter.	✓	page 11
<b>4.5</b> Provide the information indicated in Guide to reporting on Principle 4.	✓	
<b>5.1</b> 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.	✓	page 11
<b>5.2</b> Provide the information indicated in Guide to reporting on Principle 5.	✓	

## Best practice recommendations continued

	Compliance	2007 Annual Report reference
<b>6.1</b> Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	✓	page 11
<b>6.2</b> Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	✓	page 12
<b>7.1</b> The Board or appropriate committee should establish policies on risk oversight and management.	✓	page 11
<b>7.2</b> The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that: <ul style="list-style-type: none"> <li>• the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and</li> <li>• the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</li> </ul>	✓ <sup>1</sup>	
<b>7.3</b> Provide the information indicated in Guide to reporting on Principle 7.	✓	
<b>8.1</b> Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives.	✓	page 12
<b>9.1</b> Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	✓ <sup>2</sup>	page 12
<b>9.2</b> The Board should establish a Remuneration Committee.	✓	page 12
<b>9.3</b> Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives.	✓	
<b>9.4</b> Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	✓ <sup>3</sup>	
<b>9.5</b> Provide the information indicated in Guide to reporting on Principle 9.	✓	
<b>10.1</b> Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	✓	page 10

The above disclosure should be read in conjunction with the following:

- 1 CCA has reported its compliance with this recommendation in accordance with the guidelines detailed in the 'Guide to Compliance with ASX Principle 7: Recognise and Manage Risk' prepared by the Group of 100 and endorsed by the ASX Corporate Governance Council;
- 2 Disclosure of remuneration policy and procedures is set out in page 18 of the Annual Report; and
- 3 Equity based remuneration paid to the MD is approved annually by shareholders.