

Ross Human Directions Limited and Controlled Entities Corporate Governance Statement

Ross Human Directions Limited (the company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. An extensive review of the company's corporate governance framework was completed in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003. The company's framework was largely consistent with the recommendations and exceeded them in some areas. The company and its controlled entities together are referred to as the Group in this statement.

The relationship between the board and senior management is important to the Group's long term success. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Group Managing Director and senior executives as set out in the Group's delegations policy. These delegations are reviewed from time to time to meet business requirements.

The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire period.

The board of directors

The board operates in accordance with the broad principles set out in its charter which is available on the company website. The charter details the board's composition and responsibilities.

Board composition

The charter states:

- the board is to be comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- in recognition of the importance of independent views and the board's role in supervising the activities of management, the majority of the board must be independent of management and all directors are required to bring independent judgement to bear in their board decision making
- the Chairman is elected by the full board and is required to meet regularly with the Group Managing Director
- the company is to maintain a mix of directors on the board from different backgrounds with complementary skills and experience
- the board is required to undertake an annual board performance review and consider the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the Group.

*** References to notes and page numbers in this Corporate Governance Statement relate to the 30 June 2007 Annual Report.**

Responsibilities

The responsibilities of the board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
 - organisational performance and the achievement of the Group's strategic goals and objectives
 - compliance with the company's code of conduct (see page 35)
 - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors
- appointment, performance assessment and, if necessary, removal of the Group Managing Director
- ratifying the appointment and/or removal of and contributing to the performance assessment for the members of the senior management team including the Chief Financial Officer (CFO) / Company Secretary
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- ensuring the significant risks facing the Group, including those associated with its legal compliance obligations have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place
- reporting to shareholders.

Board members

Details of the members of the board, their experience, expertise, qualifications, terms of office and independent status are set out in the directors' report under the heading *Information on directors* and the section preceding the directors' report, entitled *Board of directors*. There are four non-executive directors, all of whom are deemed independent under the principles set out below, one executive Deputy Chairman and one Group Managing Director at the date of signing the directors' report.

The directors in office were considered and nominated based on the skills and experience they could bring to board deliberations on current and emerging issues.

The board does not have a formal nominations committee as it considers it is sufficiently small for the whole board to consider director nominations, therefore, when a vacancy exists or where it is considered that the board would benefit from the services of a new director, directors are asked to nominate suitable candidates with advice from an external consultant where necessary. Potential candidates are reviewed by the board and the most suitable candidate is appointed, who must stand for election at the next general meeting of shareholders.

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the board is conducive to effective discussion and efficient decision making.

Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years not employed in an executive capacity by the company or a controlled entity, or been a director after ceasing to hold any such employment
- within the last three years not a principal of a material professional adviser or a material consultant to the company or a controlled entity, or an employee materially associated with the service provided
- not a material supplier or customer of the company or a controlled entity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the company or a controlled entity other than as a director of the Group
- not been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the company or Group or 5% of the individual director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the director's performance.

Recent thinking on corporate governance has introduced the view that a director's independence may be perceived to be impacted by lengthy service on the board. To avoid any potential concerns, the board has determined that a director will not be deemed independent if he or she has served on the board of the company for more than ten years. All four non-executive directors have satisfied this criterion.

Non-executive directors

The four non-executive directors met informally during the period, in scheduled sessions without the presence of management, to discuss the operation of the board and a range of other matters. Relevant matters arising from these meetings is shared with the full board.

Term of office

The company's constitution specifies that at each annual general meeting, one third of the directors (other than the Group Managing Director), or, if their number is not 3 or a multiple of 3, then the number nearest one third, and any other director not in such one third who has held office for 3 years or more, must retire from office. The directors to retire at the annual general meeting must be those who have been longest in office since their last election, but, as between persons who were elected as directors on the same day, those to retire must be determined by lot, unless otherwise agreed between themselves.

In determining the number of directors to retire at an annual general meeting, no account is to be taken of:

- a director appointed by the directors to fill a casual vacancy or as an addition to the existing directors and who only holds office until the meeting; or
- the Group Managing Director who is exempted from retirement by rotation.

Chairman and Group Managing Director (Group MD)

The Chairman is responsible for leading the board, ensuring that board activities are organised and efficiently conducted and for ensuring directors are properly briefed for meetings. The Group MD is responsible for implementing Group strategies and policies. The board charter specifies that these are separate roles to be undertaken by separate people.

Commitment

The board held eleven formal board meetings and a number of informal meetings during the year.

Non-executive directors are expected to spend sufficient time preparing for and attending board and committee meetings and associated activities.

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2007, and the number of meetings attended by each director is disclosed on page 10.

It is the company's practice to allow its executive directors to accept appointments outside the company with prior written approval of the board. No appointments of this nature were accepted during the year ended 30 June 2007.

The commitments of non-executive directors are considered by the board prior to the directors' appointment to the board of the company and are reviewed each year.

Prior to appointment or being submitted for re-election each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the company.

Conflict of interest

An entity connected with Ms J M Ross had business dealings with the consolidated entity during the year, as described in the *Notes to the Financial Statements* at note 25 to the financial statements. In accordance with the board charter the director concerned declared her interest in those dealings to the company and took no part in decisions relating to them or the preceding discussions. In addition, the director did not receive any papers from the Group pertaining to those dealings.

Independent professional advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance assessment

The board undertook an assessment of performance, composition and tenure in relation to the year ended 30 June 2007. The review assessed the performance of directors and the Chairman and appraised their mix of skills in the context of the current and future requirements of the Group.

Corporate reporting

The Group MD and CFO / Company Secretary have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the board and that the company's risk management and internal control is operating efficiently and effectively in all material respects.

The company adopted this reporting structure for the year ended 30 June 2007.

Board committees

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the remuneration and audit committees. Each is comprised entirely of non-executive directors. The committee structure and membership are reviewed on an annual basis.

Each of these committees has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed from time to time as required and are available on the company website. All matters determined by committees are submitted to the full board as recommendations for board decision.

Remuneration committee

The remuneration committee consists of the following non-executive directors:

KL Wilson (Chairman)

EJ Doyle

FA McDonald

H Henderson (appointed 18 August 2006)

Details of these directors' attendance at remuneration committee meetings are set out in the directors' report on page 10.

The remuneration committee operates in accordance with its charter which is available on the company website. The remuneration committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The role of this committee is defined in greater detail in the remuneration report included in the directors' report on page 11.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the remuneration committee on an annual basis and, where necessary is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration is set out in the directors' report under the heading "Remuneration Report".

The remuneration committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

The committee also assumes responsibility for management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Audit committee

The audit committee consists of the following non-executive directors:

EJ Doyle (Chairman)
FA McDonald
KL Wilson
H Henderson (appointed 18 August 2006)

Details of these directors' qualifications and attendance at audit committee meetings are set out on pages 6 to 10.

The audit committee has appropriate financial expertise and all members have a working knowledge of the industry in which the Group operates.

The audit committee operates in accordance with a charter which is available on the company website at www.rossjuliaross.com. The main responsibilities of the committee are to:

- review, assess and approve the annual report, the half-year financial report and all other financial information published by the company or released to the market
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management and the external auditors
- meets with the external auditors at least twice a year or more frequently if necessary
- reviews the processes the Group MD and CFO have in place to support the certifications to the board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- meets separately with the external auditors at least twice a year without the presence of management
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

PricewaterhouseCoopers was appointed as the external auditor in 2000. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2007.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 26 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor or his representative is required 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 audit report.

Risk assessment and management

The board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies have not been made available on the company website. In summary, the company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the code of conduct is required at all times and the board actively promotes a culture of quality and integrity.

The company has not as yet established a formal Risk Management Group as the size of the company has not warranted this. Company risk is managed by the Group Managing Director, CFO / Company Secretary and other specified executives. The Group Managing Director and CFO / Company Secretary report to the board on any material risks.

The board requires that each major proposal submitted to the board for decision be accompanied by a comprehensive risk analysis.

The environment, health and safety management system (EHSMS)

The company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured manner. This system allows the company to:

- monitor its compliance with all relevant legislation
- continually assess and improve the impact of its operations on the environment
- encourage employees to actively participate in the management of environmental and OH&S issues
- work with trade associations representing the entity's businesses to raise standards
- use energy and other resources efficiently, and
- encourage the adoption of similar standards by the entity's principal suppliers and contractors.

Information on compliance with significant environmental regulations is set out in the directors' report.

Code of Conduct

The company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The board recognises it is the individual responsibility of each director and employee to ensure that they comply with the spirit and letter of the insider trading laws.

The board has adopted a policy to assist directors and employees in ensuring that they do not inadvertently breach the insider trading rules and trade RHD securities whilst in possession of price sensitive information. Broadly the policy requires that individuals do not actively trade in RHD securities and prior to dealing in RHD securities consider whether or not they are in possession of price sensitive information.

Prior to any trading, individuals will refer to the Chairman or the Chairman of the Audit Committee (in the case of the directors) or the Group Managing Director or CFO / Company Secretary (in the case of executives) to confirm matters they should be aware of in considering whether it is appropriate to trade in the company's securities.

It should be noted that in light of the continuous disclosure requirements under ASX Listing Rules, the RHD Board has chosen not to use trading windows. However the policy requires that individuals not buy or sell in the four-week period prior to half yearly and yearly profit announcements or prior to any other major announcements of which they are aware.

Directors have all entered into agreements to notify the company within three days of any dealing in the company's securities.

This Code and the company's trading policy is discussed with each new employee as part of their induction training and all employees are asked to sign an annual declaration confirming their compliance.

The Code requires employees who are aware of unethical practices within the Group or breaches of the company's trading policy to report these using the company's whistleblower program. This can be done anonymously.

The directors are satisfied that the Group has complied with the policies on ethical standards, including trading in securities.

A copy of the Code and its full trading policy is available on the company's website at www.rossjuliaross.com.

Continuous disclosure and shareholder communication

The CFO / Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the company and its controlled entities that a reasonable person would expect to have a material effect on the price of the company's securities.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

All shareholders may access to a copy of the company's annual report from the company's website www.rossjuliaross.com. An annual report is mailed to those shareholders who have elected to receive one. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. All recent company announcements and financial reports for the last five years are available on the company's website www.rossjuliaross.com.