

Corporate Governance

The extent of conformance by Fleetwood with the 'Principles of Good Corporate Governance' issued by the Australian Stock Exchange (ASX) is as follows:

Principle 1: Lay solid foundations for management and oversight by the Board

The Board's responsibilities are encompassed in a charter which is published on the Company's website. The major roles of the Board are to:

- Set the strategic direction of the Group with Management and monitor implementation of the strategy;
- Select and appoint the Managing Director, determine conditions of service and monitor performance;
- Ratify appointment of the Chief Financial Officer and Company Secretary;
- Approve conditions of service and performance monitoring of senior executives;
- Monitor financial outcomes and the integrity of reporting.
- Set limits of authority for committing to expenditure, entering into contracts or acquiring businesses;
- Ensure effective audit, risk management and compliance systems are in place.
- Monitor compliance with regulatory requirements and ethical standards;
- Review executive succession planning and development on a regular basis; and
- Ensure effective and timely reporting to Shareholders.

To assist the Board in carrying out its responsibilities an Audit Committee has been established.

The Audit Committee provides advice and assistance to the Board in fulfilling its responsibilities relating to the Company's financial statements, financial reporting processes, internal audit, external audit and such other matters as the Board may request from time to time.

The Audit Committee is comprised of three non-executive directors that are independent of the Company and management and who have appropriate business and financial expertise. The Chairman is nominated by the Board and

may not be the Chairman of the Board.

The Audit Committee oversees the adequacy of the Company's accounting and financial policies and controls including holding discussions with management and external auditors and seeks assurance on compliance with relevant regulatory and statutory requirements.

In exercising its oversight role, the Audit Committee may investigate any matter relevant to its charter. The Audit Committee reviews and reassesses its charter at least annually, and recommends any changes it considers necessary to the Board.

The Board delegates responsibility for implementing the strategic direction and for managing the day-to-day operations of the Group to the Managing Director. There are clear lines of communication established between the Chairman and Managing Director.

The Executive Directors have service contracts setting out their conditions of service and termination entitlements.

Fleetwood has processes in place to review the performance of senior management and Board members. The assessment and monitoring of the performance of the Managing Director is handled by the Chairman and discussed with the Board members. Assessment and monitoring of senior managers is handled by the Executive Directors who report to the Board.

Principle 2: Structure the Board to add value

The Board determines Board size and composition, subject to limits imposed by the Company's Constitution.

The Board has determined that there shall be five Directors, at least three of whom, including the Chairman, are to be non-executive.

The Board comprises two independent (including the Chairman) and three non independent directors. This composition is

aligned to shareholder ownership.

In considering whether a director is independent, the Board has regard to the relationships affecting independent status described in Recommendation 2.1 of the ASX Principles. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, annually and as appropriate.

The Company recognises the importance of having a Board comprised of directors with an appropriate range of backgrounds, skills and experience. In considering candidates for appointment to the Board, the Company considers the following factors:

- Qualifications, expertise and experience of the person;
- Professional and personal reputation of the person.

The Board considers that the establishment of a nominations committee is unnecessary given that the Board is not of a size sufficient to justify the formation of a sub-committee for this task.

Given there is not a nominations committee, the responsible entity does not comply with Recommendation 2.3 of the ASX Principles.

Each year the Board devotes time to consideration of broad corporate governance matters. The Chairman is responsible, in the first instance, for monitoring the contribution of individual Directors and counseling them on any areas for improvement. The Board plays a similar role in respect of the Chairman's performance.

Subject to normal privacy requirements directors have unfettered access to Company records and information, to the Company Secretary and to other relevant senior officers. They receive regular detailed reports on financial and operational aspects of the Company's business and may request elaboration or explanation of those reports at any time. Each director has the right to seek independent professional advice at the

Company's expense. Prior approval of the Chairman is required but this may not be unreasonably withheld.

Directors and senior management are encouraged to broaden their knowledge of the Company's business and developments in business generally by attendance at relevant courses, seminars, conferences etc. both in Australia and overseas. The Company meets expenses involved in such activities.

Principle 3: Promote ethical and responsible decision making

The Company has policies on share trading by Directors and senior managers and on conflicts of interest. Due to the limited financial products available to facilitate hedging of unvested or vested options it is not relevant for the policies on share trading to address such transactions. It has a Code of Conduct, which applies to Directors and employees. These are available on the Company's website.

Equally important is the encouragement of ethical conduct not just by edict but by example from all involved in the Company. It is the Board's objective that all dealings with staff, customers, regulatory authorities and the community should be conducted honestly, fairly, diligently and in accordance with all applicable laws, and best interests of Shareholders.

Principle 4: Safeguard integrity in financial reporting

The Managing Director and the Chief Financial Officer provide undertakings to the Board that the Group's financial reports present a true and fair view and are in accordance with relevant accounting standards.

The Managing Director, Chief Financial Officer and the external auditor attend Audit Committee meetings at the discretion of the Audit Committee. The minutes of each Audit Committee meeting are reviewed at the subsequent meeting of the Board.

The role and responsibilities of the Audit Committee include reviewing:

- The annual audit plan with the external auditor;
- Accounting and financial reporting practices, ASX listing requirements and corporate legislation;
- Significant transactions which are not a normal part of the Group's business;
- Half-year and full-year accounts;

- Audit reports and reports on risk management activities;
- Performance of the external auditor and the use of auditors to provide consulting and other services;
- Other financial matters which the Audit Committee or the Board determines desirable.

Principle 5: Make timely and balanced disclosure

A continuous disclosure regime operates throughout the Group. Policies and procedures are in place to ensure matters that a person could reasonably expect to have a material effect on the share price are announced to the ASX in a timely manner. Directors receive copies of all announcements immediately after notification to the ASX. All announcements are posted on the Company's website www.fleetwood.com.au

In the event a decision is made not to notify the ASX of a particular event or development, the reasons for non-notification are advised to the Board.

Principle 6: Respect the rights of Shareholders

The Company endeavors to keep its Shareholders fully informed of matters likely to be of interest to them through:

- Reports to the ASX;
- Half-yearly profit announcements;
- Annual Reports;
- Information provided to analysts.

which are posted on the Company's website.

At the Annual General Meeting, questions and comments from Shareholders are encouraged. In the interests of clarity, questions on operational matters may be answered by the Managing Director or another appropriate member of management. The external auditor is available at the meeting to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

Principle 7: Recognise and manage risk

The Company is committed to the identification, monitoring and management of material business risks associated with its business activities and has embedded in its reporting systems a number of overarching risk management controls.

The Company manages its operations as

autonomous divisions. The management of each division is required by the Board to design and implement risk management policies and internal control systems to best manage the material business risks of the division in accordance with the Company's risk management policy. The effectiveness of the internal control systems of each division in managing the material business risks is periodically reported to the Board.

The Managing Director and Chief Financial Officer sign a statement that the risk management and internal control system is operating effectively in relation to financial reporting risks in all material respects.

Principle 8: Remunerate fairly and responsibly

The Board is responsible for remuneration policies and packages applicable to Board members and to senior managers of the Company. The Board reviews:

- Conditions of service and remuneration of the Managing Director;
- Performance of the Managing Director and senior managers;
- Remuneration policies of the Group;
- Proposals for new issues under, or changes to, the Company's option plans;
- Succession plans for senior management;
- Other related matters.

Non-executive directors receive fees determined by the Board, but within the aggregate limit approved by Shareholders.

Senior managers of the Company receive a balance of fixed and variable ('at risk') remuneration. The proportions vary within the Company, reflecting the capacity of the senior managers to influence the overall outcome of the Company's operations and returns to Shareholders. The variable component is based on the profit earned by the Company and a series of personal Key Performance Indicators. Part of the remuneration is in the form of a short-term incentive, payable in cash, and part is in the form of a long-term incentive, payable in options subject to vesting provisions.