

## ANNEXURE 2 – Corporate Governance Policies

The Australian Social Infrastructure Fund (Fund) is a managed investment scheme that is registered under the Corporations Act 2001. Austock Funds Management Limited (formerly, Ceramic Funds Management Limited) (Responsible Entity) was appointed the responsible entity of the Fund on 12 October 2000. The Responsible Entity is a wholly-owned subsidiary of Austock Group Limited.

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance and the extent to which the Fund has sought to comply with the recommendations for each.

### Principle 1: Lay solid foundations for management and oversight

The Principle requires the Fund to establish and disclose the respective roles and responsibilities of both the Board and Management.

ASX recommendation / disclosure obligation	Fund's response
<b>1.1 Establish functions reserved to Board and those delegated to senior executives</b>	<p>The business of the Fund is managed under the direction of the Board of Directors (Board) of the Responsible Entity with management of day to day operations delegated to Mr Nicholas Anagnostou, Chief Operating Officer and Mr Ian Townsing, Fund Manager.</p> <p>The conduct of the Board is governed by the Constitution of the Fund and Responsible Entity and the Corporations Act 2001. The Board meets on a regular basis and is required to discuss pertinent business developments and issues and review the operations and performance of the Fund.</p>
<b>1.2 Process for evaluating performance of senior executives</b>	<p>There are 4 components to evaluating the performance of senior executives. Prior to the commencement of the financial year, a Budget/strategy session is held involving an Austock Group representative, the Chief Operating Officer, Fund Manager and Chief Financial Officer and a business plan is agreed for the forthcoming year. An annual performance appraisal of the Chief Operating Officer and Fund Manager is conducted by Austock Group in July and KPIs that have been agreed are filtered down to individual team members. Biannual reviews are conducted to provide formal feedback to the Chief Operating Officer and Fund Manager regarding their individual and team's performance and to plan for the next 6 months. Performance is regularly reviewed at monthly meetings between an Austock Group representative, the Chief Operating Officer and Fund Manager.</p> <p>Adopting this process, the performance of senior executives was evaluated during the financial year.</p>
<b>1.3 Availability of information</b>	<p>A copy of the Constitution of the Responsible Entity and Fund is available on the Fund's website.</p>

## Principle 2: Structure the Board to add value

The Principle requires the Fund to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

It is the objective that the Board comprises directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually and the Board collectively to supervise the operations of the Fund with excellence.

ASX recommendation / disclosure obligation	Fund's response
<b>2.1 Majority of Board should be independent directors</b>	The current Board comprises three directors, all of whom are independent.
<b>2.2 Chair should be an independent director</b>	Mr Cottren has been Chairman of the Board since 4 August 2008 and is regarded as independent.
<b>2.3 Roles of Chair and Chief Executive Officer should not be exercised by same individual</b>	The roles of Chairman and Chief Executive Officer are not held by the same individual. Since the resignation of Mr Vin Harink on 28 July 2008, the role of Chief Executive Officer has been vacant, however the most senior executive role is held by Mr Anagnostou, Chief Operating Officer.
<b>2.4 Establish a Nomination Committee</b>	Due to the small size of the Board it is not intended that a Nomination Committee be established. Responsibility for selecting, appointing, evaluating and removing directors is a matter for the full Board and Austock Group Limited.
<b>2.5 Process for performance evaluation of Board, its committees and individual directors</b>	<p>The Fund does not have in place formal evaluation measures and processes for the Board, its committees and individual directors as the nature and size of the business to date has justified an informal process.</p> <p>The Board has directed the Company Secretary to produce a policy which outlines the process for performance evaluation of the Board, its committees and individual directors. That policy has yet to be adopted by the Board and implemented. A performance evaluation will be undertaken at the earliest opportunity following implementation of the policy.</p>
<b>2.6.1 Information on Directors</b>	<p>Details of each Director's relevant skills, experience and expertise, as well as their independence status and period in office are set out in the Section 3.4.</p> <p>In determining the independence of directors, the Board has adopted the criteria set out in section 601JA(2) of the Corporations Act 2001.</p>
<b>2.6.2 Independent professional advice</b>	Under the terms of the Fund's Constitution, the directors and non-executive committee members of the Responsible Entity have the right to seek independent professional advice at the Fund's expense.
<b>2.6.3 Procedure for selection and appointment of new directors and re-election of incumbent directors / Board policy for nomination and appointment of directors</b>	<p>The Board does not have in place a formal policy for the nomination and appointment of directors as responsibility for selecting and appointing directors is maintained by Austock Group Limited.</p> <p>Nevertheless, the Board regularly reviews the composition of the Board in view of the business and strategic needs of the business and provides feedback in relation thereto to Austock Group. If it is deemed necessary to recruit additional directors the Board will assist Austock Group in determining the skills and experience required by the additional directors. A search process is undertaken following which the Chairman and directors will interview the selected</p>

<p><b>2.6 Availability of information</b></p>	<p>candidate(s). If a suitable candidate is found an appointment will be made.</p> <p>Neither the Responsible Entity's Constitution nor the ASX Listing Rules require newly appointed directors to seek election or incumbent directors to seek re-election.</p> <p>A copy of the policy on Board performance evaluation will be made available on the Fund's website once adopted by the Board. A description of the procedure for the selection and appointment of new directors will also be made available on the Fund's website at this time.</p>
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### Principle 3: Promote ethical and responsible decision making

The Principle requires that the Board should actively promote ethical and responsible decision-making.

ASX recommendation / disclosure obligation	Fund's response
<p><b>3.1 Establish a Code of Conduct</b></p>	<p>Directors and employees of the Responsible Entity are subject to a Code of Conduct which has been adopted by Austock Group Limited. The Board is committed to ensuring that all directors and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life.</p>
<p><b>3.2 Establish a Diversity Policy</b></p>	<p>The development of a Diversity Policy is underway.</p>
<p><b>3.3 Disclose measurable objectives for achieving gender diversity and progress towards achieving them</b></p>	<p>This information will be disclosed in the Fund's 2011 Annual Report.</p>
<p><b>3.4 Disclose proportion of women employed in organisation</b></p>	<p>This information will be disclosed in the Fund's 2011 Annual Report.</p>
<p><b>3.5 Availability of information</b></p>	<p>A copy of the Austock Group Code of Conduct is available on the Fund's website. A copy of the Diversity Policy will be made available once adopted by the Board.</p>

#### Principle 4: Safeguard integrity in financial reporting

This Principle requires that the Fund have a structure in place to independently verify and safeguard the integrity of its financial reporting.

ASX recommendation / disclosure obligation	Fund's response
<p><b>4.1 Establish an Audit Committee</b></p>	<p>The Board has established an Audit and Compliance Committee (Committee) whose responsibilities include monitoring the Responsible Entity and the Fund's compliance with the Corporations Act 2001, the Fund's Constitution and Compliance Plan. This is notwithstanding that a separate compliance committee is not required under s.601JA of the Corporations Act.</p> <p>The current members of the Committee are Mr Warner Bastian (Chairman), Mr Michael Johnstone and Mr David Penman, all of whom are considered independent. Mr Penman is not a member of the Board but possesses a level of technical expertise appropriate for audit committee membership.</p>
<p><b>4.2 Structure of Audit Committee</b></p>	<p>The Board notes that as the Fund will not be included in the S&amp;P / All Ordinaries Index or S&amp;P / ASX 300 Index at the time of listing it is not required to have an audit committee which complies with the Recommendations on composition, operation and responsibilities.</p> <p>During the year the Committee had, at all times, 3 members who were independent. However, not all members were non-executive directors. Mr Penman is a member of the Committee but is not a director of the Responsible Entity. The Board is of the view that it is preferable to have a non-compliant committee that is fully independent than to appoint non-independent directors to the committee.</p>
<p><b>4.3 Formal Charter</b></p>	<p>The Audit and Compliance Committee has a formal charter which sets out its responsibilities.</p>
<p><b>4.4.1 Information on Audit Committee members</b></p>	<p>The names and qualifications of the Audit and Compliance Committee members are set out in Section 4.1.</p>
<p><b>4.4.2 Selection and appointment of external auditor and for rotation of external audit engagement partner</b></p>	<p>The Board is responsible for appointing the external auditor.</p> <p>The Audit and Compliance Committee is directly responsible for making recommendations to the Board on the appointment, termination and oversight of the external auditor. In selecting an auditor, the Committee implements a selection process and makes a recommendation to the Board based on their assessment of the potential external auditor. The assessment takes into account a number of key criteria, including audit approach and methodology, internal quality control procedures, resources, key personnel and cost.</p> <p>The Audit and Compliance Committee is required to annually review the external auditor's performance and independence.</p> <p>In line with current professional standards, the external auditor is required to rotate Fund audit and review partners at least once every 5 years.</p>
<p><b>4.4.3 Availability of information</b></p>	<p>A copy of the Audit and Compliance Committee Charter is available on the Fund's website. Information on the procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners will be posted to the website shortly.</p>

### Principle 5: Make timely and balanced disclosure

The Principle requires the Fund to promote timely and balanced disclosure of all material aspects concerning the Fund.

ASX recommendation / disclosure obligation	Fund's response
<b>5.1 Continuous Disclosure Policy</b>	A Continuous Disclosure Policy has been adopted by the Board. This policy reflects the Board's commitment to ensuring that information that is expected to have a material effect on the price or value of the Fund's securities is immediately notified to the ASX for dissemination to the market in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.
<b>5.2 Availability of information</b>	A copy of the Continuous Disclosure Policy is available on the Fund's website.

### Principle 6: Respect the rights of shareholders

The Principle requires the Fund to respect the rights of shareholders and facilitate the exercise of those rights.

ASX recommendation / disclosure obligation	Fund's response
<b>6.1 Communications Policy</b>	<p>A Communications Policy has been adopted by the Board, reflecting its policy that Unitholders be informed of all significant developments affecting the Fund's affairs.</p> <p>Information is communicated by:</p> <ul style="list-style-type: none"> <li>▪ dispatching annual reports to Unitholders who request to receive it;</li> <li>▪ dispatching Distribution Statements to all Unitholders which include details of distributions paid and the components of the distribution;</li> <li>▪ maintaining a dedicated investor relations section on the Fund's website to which it posts copies of all ASX announcements, Annual Reports, Half Yearly Reports, details of corporate governance practices, presentations to Unitholders and other information of interest to investors; and</li> </ul> <p>As a managed investment scheme, the Fund is not required to hold an annual general meeting. From time to time, however, the Fund has held Unitholders' meetings at which the auditor (at the request of the Responsible Entity) has been in attendance. In the interests of containing costs, a Unitholders' meeting was not held during the financial year 30 June 2010. In deciding not to hold a Unitholders' meeting at which the auditor was present and available to answer questions, the Fund has not met the aims of section 250RA of the Corporations Act (which requires an auditor of a listed entity to attend the annual general meeting and answer questions on the audit).</p>
<b>6.2 Availability of information</b>	A copy of the Communications Policy is available on the Fund's website.

## Principle 7: Recognise and manage risk

This Principle requires the Fund to establish a sound system of risk oversight and management and internal control.

ASX recommendation / disclosure obligation	Fund's response
<b>7.1 Establish policies for the oversight and management of material business risks</b>	<p>The Board has adopted a Risk Management Plan, developed in accordance with the Australian Standard on Risk Management (AS/NZS 4360:2004). The policy reflects the Board's commitment to identifying, monitoring and mitigating risks as well as capturing opportunities.</p>
<b>7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to Board</b>	<p>Day to day responsibility for risk management has been delegated to Management, with review occurring at both Responsible Entity Board level and Austock Group Board level. In accordance with the Risk Management Plan, Management undertakes an exercise of identifying and prioritising its material business risks. These risks are documented in a Risk Register and, where the level of risk is considered to be above the desired level, an action plan is developed to address and mitigate the risk. The Fund's risk management process is reviewed by an external consultant every two years, with the last review having been undertaken during 2010.</p> <p>Risks, the effectiveness of mitigation strategies and the overall management system are regularly reviewed by Management to ensure changing circumstances do not alter the risk priorities. Management reports to the Board on the effectiveness of the Fund's management of its material business risks.</p>
<b>7.3 Assurance from Chief Executive Officer and Chief Financial Officer</b>	<p>In relation to the Annual Accounts, the Fund Manager and Chief Financial Officer certify in writing to the Board that the declaration provided in accordance with section 295A of the Corporations Act 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.</p>
<b>7.4 Availability of information</b>	<p>A copy of the Risk Management Plan is available on the Fund's website.</p>

## Principle 8: Remunerate fairly and responsibly

This Principle requires that the Fund ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

ASX recommendation / disclosure obligation	Fund's response
<b>8.1 Establish a Remuneration Committee</b>	<p>The Board notes that as the Fund will not be included in the S&amp;P / ASX 300 Index at the time of listing it is not required to establish a Remuneration Committee under the ASX Listing Rules.</p> <p>The Fund does not comply with recommendation 8.1. Remuneration of the Responsible Entity is dealt with comprehensively in the Fund's Constitution. Accordingly, it is considered unnecessary to maintain a Remuneration Committee. All fees and expenses of the Responsible Entity are approved by the Board.</p>
<b>8.2 Structure of Remuneration Committee</b>	<p>The Fund does not comply with recommendation 8.2, for the reasons outlined immediately above.</p>
<b>8.3 Distinction between structure of non-executive directors' remuneration and remuneration of directors and senior executives</b>	<p>Remuneration of Directors and senior executives is a matter for the Board and Austock Group Limited. Directors and senior executives are paid either directly by the Responsible Entity or by entities associated with the Responsible Entity or Austock Group. Directors and employees are not provided with any remuneration by the Fund itself.</p> <p>A distinction is made between the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash, non-cash benefits and superannuation contributions. Executive directors and senior executives' packages generally comprise fixed, performance-based and equity-based remuneration components (the equity component being equity in Austock Group, not the Fund itself). Neither directors nor senior executives are entitled to equity interests in the Fund or any rights to or options for equity interests in the Fund as a result of remuneration provided by the Responsible Entity.</p> <p>Remuneration of the Responsible Entity is included in Section 7. The Responsible Entity is entitled to claim asset management fees, reimbursement for all expenses reasonably and properly incurred in relation to the Fund or in performing its obligations under the Constitution and property acquisition and disposal fees.</p>
<b>8.4.1 Information on Remuneration Committee members</b>	<p>N/a</p>
<b>8.4.2 Schemes for retirement benefits</b>	<p>The Responsible Entity does not pay retirement benefits, other than superannuation, for its non-executive directors.</p>
<b>8.4.3 Policy on prohibiting transactions in associated products which limit the economic risk of participating in</b>	<p>Directors and employees are not remunerated by the Fund and do not receive equity in the Fund as a form of remuneration. Accordingly, it is considered unnecessary to have a policy which prohibits transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes.</p>

**unvested entitlements  
under equity based  
remuneration schemes**

**8.4.4 Availability of  
information**

A copy of the Constitution is available on the Fund's website.