

Corporate Governance Statement 2009

The Clough Limited Board's corporate governance statement has been prepared in line with the Australian Securities Exchange (ASX) Corporate Governance Council guidelines, "principles of good corporate governance and best practice recommendations" 2nd edition.

	ASX P & R ¹	If not, why not ²		ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4	✓	
Recommendation 1.3	✓		Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2	✓	
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2	✓	
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6	✓		Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4	✓	
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3	✓		Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3	✓	
Recommendation 4.2	✓				

1 Indicates where the Company has followed the Principles & Recommendations

2 Indicates where the Company has provided "if not, why not" disclosure.

Principle 1: Lay solid foundations for management and oversight

Clough has a corporate governance section on its website www.clough.com.au. This section includes the Board Charter which explains the functions reserved for the Board and those delegated to the Chief Executive Officer.

Council Recommendation 1.3 requires disclosure as to whether performance evaluation for senior executives has taken place during the reporting period and whether it was in accordance with the process disclosed.

The Board undertakes an annual review of the CEO's performance. Performance measures are established between the CEO and the Remuneration & HR Committee and approved by the Board.

All senior executives are subject to a formal annual performance evaluation. Performance measures for each position are set by the immediate line manager.

Principle 2: Structure the Board to add value

The Clough Board comprises a maximum of nine directors: three independent directors, three non-executive directors nominated by Murray & Roberts and up to three executive directors (there are currently two executive directors). The Board is chaired by an independent director.

Clough has a majority shareholder, Murray & Roberts, who requires representation on the Clough Board. Murray & Roberts nominated directors include senior executives from Murray & Roberts who bring significant industry experience and expertise to the Board. Clough

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acknowledges that as a result of this representation, the Board does not have a majority of independent directors.

During the year the Board undertook a review of its performance. The review, facilitated by an external consultant, comprised both questionnaires and interviews with each director. The results of the review were provided to all directors and discussed at the Board. In future years the review will also include a review of the performance of individual directors.

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their employment. All new directors participate in a comprehensive, induction program which covers the operation of the Board and its Committees and financial, strategic, operations and risk management issues.

The skills experience and expertise relevant to the position of director held by each director in office, and their term of office, as at the date of this Annual Report is set out under the heading 'Board of Directors'.

Independence

Clough believes that employing a materiality concept is essential in judging whether customer, supplier, consultant or professional adviser relationships affect the independence of Clough directors. Clough has adopted AASB Standard 1031 to determine levels of materiality.

The Board assesses the independence of its directors in accordance with ASX recommendations and has determined that Mike Harding, Emma Stein and Keith Spence satisfy the conditions to be considered independent directors.

Board Committees

Clough has four committees: Governance & Nomination Committee; Audit & Risk Committee; Remuneration & Human Resources Committee and Health, Safety, Environment and Sustainability Committee.

All Committees have a formal operating charter which sets out their respective roles and responsibilities and these are disclosed on the Company's website. The number of meetings held by each committee and attendance at those meetings is outlined in the Directors' Report within the 2009 Annual Report.

The members of the Governance & Nomination Committee are Mike Harding (Chair), Emma Stein and Brian Bruce. Both Mike Harding and Emma Stein are independent non-executive directors.

The members of the Health, Safety, Environment and Sustainability Committee are Keith Spence (Chair), Mike Harding and John Smith. Both Keith Spence and Mike Harding are independent non-executive directors.

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Independent Advice

Clough directors may seek external professional advice at the expense of the Company on matters relating to their roles as directors of Clough. They must first obtain approval from the Chair, which must not be unreasonably withheld. If permission is withheld the matter may be referred to the whole Board. All directors have access to the Company Secretary.

Principle 3: Promote ethical and responsible decision-making

Clough has formally adopted a Code of Ethics, which requires high standards of honesty, integrity, fairness and equity in all aspects of employment with Clough.

Clough has also formally adopted a Code of Conduct which addresses policy including responsibility to shareholders, health and safety, environment, confidentiality, conflicts of interest and financial inducements. Clough has adopted a Share Trading Policy which sets out how and when employees may trade in the Company's shares. The Code of Conduct and the Share Trading Policy are available on the Company website.

Principle 4: Safeguard integrity in financial reporting

This principle requires the Company to put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position.

Clough complies with this requirement in a number of ways. The Company has an Audit & Risk Committee whose members include Emma Stein (Chair), Keith Spence and Roger Rees. Emma Stein and Keith Spence are independent directors. Roger Rees is a non-executive director. The qualifications of members of the Audit and Risk Committee are set out in this Annual Report under the heading 'Board of Directors'.

The role of the Audit & Risk Committee includes review of the Company's accounts, reviewing the scope and reports of the external and internal auditors and the approach to risk management across the Company. The Audit & Risk Committee has access to both internal audit and the external auditor without the presence of other management. Internal audit has a direct reporting relationship with the Audit & Risk Committee and provides written reports to the committee. The Audit & Risk Committee leads the review of performance of the external auditor.

The CEO, CFO, Company Secretary, external and internal auditors attend the Audit & Risk Committee meetings by invitation. The Committee meets and reports to the Board at least three times during the year. Meetings are timed to coincide with profit announcements made to the ASX and audit engagement.

The CEO and CFO provide an appropriate disclosure statement to the Audit & Risk Committee and Board of directors in support of the full year and half year accounts.

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Principle 5: Make timely and balanced disclosure

Clough's Continuous Disclosure Policy details the process by which information is disclosed to the market. This policy is available on the Company website.

The Chair has ultimate authority and responsibility for market disclosure, which is delegated on a day to day basis to the CEO and CFO, who seek approval from the Chair on all significant matters. The Chair seeks the approval of the Board as required.

Principle 6: Respect the rights of shareholders

Clough's Shareholder Communications Policy details the means by which the Company promotes and maintains effective communications with its shareholders. This policy is available on the Company's website.

Shareholder meetings represent an opportunity for shareholders to meet with and question the Board and management of Clough. Clough's external auditor attends all annual general meetings and is available to answer shareholder questions.

Clough's website is a key source of information for the Company's shareholders and prospective shareholders. Clough places all Company announcements on the site immediately following confirmation of their release to the market. Clough also displays annual and half-year reports, notices of meeting and information briefing given to analysts and media.

Principle 7: Recognise and manage risk

Clough is committed to risk management as part of good governance and business practice with an established program of risk identification, assessment, management, monitoring, review and regular reporting.

Clough has developed a risk management approach that is consistent with Australian standard 4360 on risk management and this Principle 7. The Risk and Opportunity Management Policy, endorsed by the Board, is available on the Company's website.

The Audit & Risk Committee receives periodic reports from management on the status of Clough's material risks and their current management. The Internal Audit function also provides reports to the Committee detailing compliance with existing statutory requirements, adherence to internal policies and an assessment of control effectiveness. The internal auditors in addition provide guidance to improve practices within the Company.

Clough has adopted a policy requiring the CEO and the CFO to state to the Board in writing that the integrity of the financial statements is founded on a sound system of risk management and control which operates efficiently and effectively in all material respects to financial reporting risks. The Board has received the relevant assurances in this regard.

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Principle 8: Remunerate fairly and responsibly

The Remuneration & Human Resources Committee determines remuneration policies and practices and makes recommendations to the Board on remuneration packages and policies applicable to the Chief Executive Officer, senior executives and directors. The Committee also assumes responsibility for management of succession planning.

Clough distinguishes the structure of non-executive remuneration from that of executive directors and senior executives. Details of Clough's remuneration policy are set out in the Directors' Report section of this Annual Report. There are no schemes for retirement benefits for non-executive directors.

The members of the Remuneration & Human Resources Committee are Keith Spence (Chair), Mike Harding and John Cooper. Keith Spence and Mike Harding are independent directors and John Cooper is a non-executive director.