

Corporate Governance

Introduction

In accordance with the Company's Constitution and the Corporations Act, the Company operates through its Board of Directors and management.

The Board, which has authority for ultimate oversight of the Company, works under a set of well-established corporate governance policies and charters. These policies are publicly available on the Company's website, www.ansell.com.

The Board is in the process of reviewing and updating these policies and charters to ensure that they remain in accordance with best practice. Amended charters and policies will be posted on the Company's website following this review. The Board is aware of, and has had regard to, developments in Australia and overseas in relation to good corporate governance practice.

This report sets out the Company's Corporate Governance practice for the financial year ending 30 June 2009 and is divided into four sections:

- the way in which the Board is formed;
- the way in which the Board operates;
- governance policies specific to the Board; and
- governance policies adopted by the Board that apply generally throughout Ansell.

The Board believes that the Company's policies and practices have complied in all substantial respects with corporate governance best practice in Australia, including the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles). A checklist summarising the Company's compliance with the ASX Principles is set out in Section 5 of this report.

Section 1 – Composition of the Board

Relevant policies and charters (see www.ansell.com)

- Board Charter

Maintaining a balance of experience and skills is an important factor in Board composition. Details of the skills, experience and expertise of each Director, as well as the period for which each Director has held office, are set out on pages 8 and 9.

The Board's policy is that there should be a majority of independent Non-executive Directors. This is a requirement embodied in the Company's Constitution and the Board Charter, ensuring that all Board discussions or decisions have the benefit of predominantly outside views and experiences, and that the majority of Directors are free from interests and influences that may create a conflict with their duty to the Company.

The requirement under the Constitution is for at least twice as many Non-executive Directors as Executive Directors. As an additional safeguard in preserving independence, there should be a separation of the roles of the Chairman and the Chief Executive Officer, and the Chairman should be an independent Non-executive Director.

The Board has adopted the definition of independence set out in the IFSA Blue Book (October 2004).^{*} The Board has developed guidelines to determine materiality thresholds for the purposes of that definition. Broadly speaking, these guidelines seek to determine whether the Director is generally free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Company currently has seven Directors, one of whom is an Executive Director (the Chief Executive Officer, who is also the Managing Director). All of the Non-executive Directors, including the Chairman, are considered to be 'independent'.

1.1 Board election process

New Directors are nominated by the Board, as described below, and then stand for election at the next Annual General Meeting in order to be confirmed in office. Criteria for selection of new Non-executive Directors include a candidate's personal qualities, professional and business experience, and availability and time to commit to all aspects of the Board's program. All Directors other than the Managing Director must submit for re-election every three years. The performance of Directors seeking re-election is considered by the Board to enable it to make a recommendation to shareholders in relation to the Director's re-election.

1.2 Appointment terms

New Directors are provided with a letter of appointment setting out the terms of their appointment, including their powers, rights and obligations.

In order to ensure that the composition of the Board will change over time, the Board has a general policy that Non-executive Directors should not serve for a period exceeding 12 years, and that the Chairman should not serve in that role for more than 10 years.

However, the Board does not consider this length of tenure would necessarily compromise independence or interfere in a material way with a Director's ability to act in the best interests of the Company. Should the situation arise, the Board would make an assessment regarding an individual Director's ongoing service having regard for the length of service of all members of the Board, and the mix of experience, skills and knowledge of the Board.

In order to ensure that Directors are able to fully discharge their duties to the Company, all Directors must consult with the Chairman of the Board and advise the Nomination, Remuneration and Evaluation Committee prior to accepting a position as a Non-executive Director of another company.

Section 2 – Operation of the Board

Relevant policies and charters (see www.ansell.com)

- Board Charter
- Audit and Risk Committee Charter
- Nomination, Remuneration and Evaluation Committee Charter

2.1 Division of responsibility between Board and management

The Board has ultimate responsibility for setting policy regarding the business and affairs of the Company and its subsidiaries for the benefit of the shareholders and other stakeholders, and is accountable to shareholders for the performance of the Group.

The table following summarises the Board's main responsibilities and functions, which have been grouped into three areas:

- strategy, planning and monitoring;
- shareholder communication and compliance; and
- risk management and internal controls.

^{*} Corporate Governance, *A Guide for Fund Managers and Corporations – Blue Book*, Investment and Financial Services Association, October 2004 (copy available at www.ifsa.com.au).

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| | Strategy, planning and monitoring | Shareholder communication and compliance | Risk management and internal controls |
|---------------------------------|---|--|--|
| Approving | <ul style="list-style-type: none"> • corporate strategies, budgets, plans and policies • appointment of the Chief Executive Officer and other members of the senior management team, including the Company Secretary • remuneration of the Chief Executive Officer, the Non-executive Directors (within shareholder approved limits) and the policy for remunerating senior executives | <ul style="list-style-type: none"> • procedures to ensure compliance with applicable laws, regulations, accounting standards, ethical standards and business practices • shareholder communication strategies • certain material market announcements | <ul style="list-style-type: none"> • the Company's risk management framework and internal compliance and controls systems |
| Reviewing and monitoring | <ul style="list-style-type: none"> • implementation of corporate strategies, budgets, plans and policies • financial and business results (including the audit process) in order to understand the financial position of the Group | <ul style="list-style-type: none"> • implementation of compliance procedures • timeliness and accuracy of information provided to shareholders and the financial market | <ul style="list-style-type: none"> • implementation of risk management framework and internal compliance and controls systems • the Company's wider risk management profile • internal processes for determining, monitoring and assessing key risk areas |
| Evaluating | <ul style="list-style-type: none"> • performance against corporate strategies, budgets, plans and policies • the performance of the Chief Executive Officer and other members of the senior management team | <ul style="list-style-type: none"> • the effectiveness of reporting procedures and mechanisms • whether adequate, accurate and timely information is provided to shareholders and the financial market | <ul style="list-style-type: none"> • the process for assessing the effectiveness of risk management practices |

In carrying out its duties, the Board meets formally at least six times a year, with additional meetings held as required to address specific issues. Directors also participate in meetings of various Board Committees, which assist the full Board in examining particular areas or issues. It is the Board's practice that the Non-executive Directors meet periodically without the presence of management.

The Board delegates management of the Company's resources to the executive team, under the leadership of the Chief Executive Officer, to deliver the strategic direction and achieve the goals determined by the Board. Any powers not specifically reserved for the Board have been delegated to the executive team.

The Board is free to alter the matters reserved for its decision, subject to the limitations imposed by the Company's Constitution and the law.

2.2 Board Committees

The Board has established two standing Committees, being the:

- Audit and Risk Committee; and
- Nomination, Remuneration and Evaluation Committee.

Each Committee operates under a specific Charter, which is reviewed periodically by the Board. The Board also delegates specific functions to ad hoc Committees of Directors on an 'as needs' basis. The powers delegated to these Committees are set out in Board resolutions.

Further details regarding the two standing Committees are set out in the table on the following page.

Audit and Risk Committee

Nomination, Remuneration and Evaluation Committee

| | | |
|---------------------|---|--|
| Members | L D Crandall (Chair) G L L Barnes M T Peterson W P Day | R J S Bell (Chair) G L L Barnes P L Barnes |
| Composition | Committee members are required to: <ul style="list-style-type: none"> • be independent, Non-executive Directors (minimum of three required) • be financially literate • possess sufficient financial expertise and knowledge of the industry in which Ansell operates | The Committee is required to: <ul style="list-style-type: none"> • comprise a majority of independent, Non-executive Directors (minimum of three required) |
| Functions | Reviewing: <ul style="list-style-type: none"> • financial statements • adequacy of financial controls • annual audit arrangements (internal and external) • activities of internal and external auditors • independence and remuneration of external auditor • processes for identifying, managing and reporting both financial and non-financial business risk Advising Board on: <ul style="list-style-type: none"> • appointment, removal and remuneration of external auditor • independence of external auditor and the provision of non-audit services by the external auditor • financial reporting and business risk controls and systems, including their adequacy • national and international accounting standards • applicable Company policies, regulatory and statutory requirements | Reviewing: <ul style="list-style-type: none"> • the structure and performance of the Board, the Committees and individual Directors (and to recommend changes where required) Establishing: <ul style="list-style-type: none"> • policies and criteria for Non-executive Director selection, and identifying suitable candidates for appointment Advising Board on: <ul style="list-style-type: none"> • succession planning • remuneration of Chief Executive Officer and the Non-executive Directors • senior executive remuneration policy (including incentive plans, equity awards and service contracts) |
| Attendance | Details regarding attendance at Committee meetings during the year are set out in the table below | Details regarding attendance at Committee meetings during the year are set out in the table below |
| Consultation | Other Directors, members of management and the principal external audit partner are invited to attend Committee meetings to provide reports and/or guidance where appropriate | As required, the Committee may engage independent professional advisers to: <ul style="list-style-type: none"> • assist in identifying high-calibre Directors and executives • advise on whether the Company's employment policies and practices, including terms and conditions, are competitive and consistent with those offered by comparable companies The Committee may also request members of management to attend meetings and/or provide information where appropriate |

2.3 Attendance at Board and Board Committee meetings during the year ended 30 June 2009

| | Board | | Audit and Risk | | Nomination, Remuneration and Evaluation | |
|--------------|-------|----------|----------------|----------|---|----------|
| | Held | Attended | Held | Attended | Held | Attended |
| P L Barnes | 8 | 8 | | | 5 | 5 |
| G L L Barnes | 8 | 8 | 5 | 5 | 5 | 5 |
| R J S Bell | 8 | 8 | | | 5 | 5 |
| L D Crandall | 8 | 7 | 5 | 5 | | |
| W P Day | 8 | 8 | 5 | 5 | | |
| M T Peterson | 8 | 8 | 5 | 5 | | |
| D D Tough | 8 | 8 | | | | |

Held – Indicates the number of meetings held while each Director was a member of the Board or Committee.

Attended – Indicates the number of meetings attended during the period that each Director was a member of the Board or Committee.

A meeting of a special Board Committee comprising P L Barnes and D D Tough was convened on 18 August 2008 in relation to the review and lodgement of the 2008 Full-Year Results announcement. A meeting of a special Board Committee comprising P L Barnes and D D Tough was convened on 9 September 2008 in relation to the signing of the accounts for the year ended 30 June 2008. A meeting of a special Board Committee comprising P L Barnes and D D Tough was convened on 11 February 2009 in relation to the review and lodgement of the Half-Year Results announcement, reports and financial statements for the six months ended 31 December 2008. Audit and Risk Committee meetings were generally attended by all other Directors.

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2.4 Performance evaluation

The Board periodically conducts a formal review of its performance using a comprehensive and structured self-assessment approach based on the individual input and responses of Directors. The reviews include:

- assessment and consideration of the effectiveness and composition of the Board;
- an assessment of the effectiveness of the Chairman by all other Directors;
- an assessment of the performance of the Chief Executive Officer by the Non-executive Directors; and
- an assessment of whether the Company's corporate governance principles are appropriate and reflect 'good practice'.

Since the date of the last report, the Board has conducted an assessment of its performance as outlined above and has also formally assessed the performance of the Chief Executive Officer.

A formal process for the evaluation of the performance of senior executives of the Company is conducted by the Chief Executive Officer on an annual basis. The results of the evaluation process are presented to and discussed with the Chairman on behalf of the Board.

Section 3 – Governance policies applicable to the Board

Relevant policies and charters (see www.ansell.com)

- Code of Conduct

3.1 Remuneration

Full details of the remuneration paid to Non-executive and Executive Directors and the Company's senior executives are set out in the Remuneration Report on pages 19 to 31.

3.2 Conflict of interest

In order to ensure that any 'interests' of a Director in a particular matter to be considered by the Board are brought to the attention of each Director, the Company has developed protocols, to require each Director to disclose any contracts, offices held, interests in transactions, contracts and other directorships which may involve any potential conflict. Appropriate procedures have been adopted to ensure that, where the possibility of a material conflict arises, relevant information is not provided to the Director, and the Director does not participate in discussion on the particular issue or vote in respect of the matter at the meeting where the matter is considered.

3.3 External advice

Any Director can seek independent professional advice at the Company's expense in the furtherance of his or her duties, subject to prior discussion with the Chairman. If this occurs, the Chairman must notify the other Directors of the approach, with any resulting advice received to be generally circulated to all Directors.

3.4 Induction and ongoing education

New Directors participate in an induction program that covers the operation of the Board and its Committees, and the Company's financial, strategic, operational and risk management positions.

Directors also participate in management presentations and analysis to ensure that they are kept up-to-date with developments in the industry and to enable them to discharge their duties.

It is the Company's practice for Directors to visit some of the Company's facilities in each year. During the 2009 financial year, Board meetings were held in conjunction with a visit to the Group's Operational head office in Red Bank, New Jersey, USA.

Section 4 – Governance policies of general application throughout Ansell

Relevant policies and charters (see www.ansell.com)

- Code of Conduct
- Share Trading Policy
- Continuous Disclosure Policy
- Risk Management Policy

4.1 Code of Conduct

The Company is committed to upholding the highest legal, moral and ethical standards in all of its corporate activities, and has adopted a Code of Conduct consisting of both a Statement of Guiding Principles and Policies on Business Conduct, which aim to strengthen its ethical climate and provide basic guidelines for situations in which ethical issues arise. The Code of Conduct is available on the Company's website, www.ansell.com.

The Code of Conduct applies to Directors, executives, management and employees, sets high standards for ethical behaviour and business practice beyond complying with the law, and is based on guiding principles whereby the Company:

- strives to uphold high ethical standards in all corporate activities;
- is committed to competing lawfully, fairly and ethically in the marketplace, consistent with its aim of providing quality products to its customers;

- is committed to pursuing sound growth and earnings goals by operating in the best interests of the Company and shareholders;
- strives to treat all employees and applicants with fairness, honesty and respect;
- expects all employees to work together for the common good and to avoid placing themselves in a position that is in conflict with the interests of the Company;
- is committed to good corporate citizenship and participating actively in and improving the communities in which the Company does business; and
- expects all employees to conduct themselves in accordance with the guiding principles.

It is the Company's policy to comply with the letter and spirit of all applicable laws, and no Director, executive or manager has authority to violate any law or to direct another employee or any other person to violate any law on behalf of the Company. Assistance is available to clarify whether particular laws apply and how they may be interpreted.

The Code of Conduct also sets out the Company's policies in respect of ethical issues such as conflicts of interest, social accountability and fair dealing.

The Company also provides avenues for employees to report their concerns of suspected breaches and seek compliance advice, including anonymously to an independent hotline. Individuals who report their concerns in good faith are protected under the Company's policies from any form of retaliation.

Employees and Directors are required to participate in compliance training programs to ensure that they remain up-to-date regarding relevant legal and industry developments, as well as ethical practices. During the year computer-based courses in 32 subject matters (some in up to nine languages and with variations for the three different regions), including courses relating to integrity leadership, conflicts of interest, intellectual property, financial integrity, competitive law, E-compliance, respect and responsibility, and Ansell's Code of Conduct, were implemented across the organisation globally.

4.2 Dealing in shares

Subject to the restriction that persons may not deal in any securities when they are in possession of price-sensitive information, Directors and employees generally may only buy or sell Ansell shares in the period immediately following any price-sensitive announcements, including the half-year

and full-year results and the Annual General Meeting. At other times, Directors dealing in Ansell shares must obtain prior approval from the Chairman.

It is the Company's policy that executives who participate in the Ansell Long Term Incentive Plan are prohibited from entering into hedging arrangements in respect of unvested options and performance rights.

Where a Director or executive holds Ansell shares under the terms of a margin lending arrangement, the Company will disclose details to the market where required by law or practice, having regard to the materiality of the arrangement.

4.3 External audit

It is Board policy that the lead external audit partner and review partner are each rotated periodically. The Board has adopted a policy in relation to the provision of non-audit services by the Company's external auditor that is based on the principle that work that may detract from the external auditor's independence and impartiality, or be perceived as doing so, should not be carried out by the external auditor. Details of the amounts paid to the external auditor for non-audit services performed during the year are set out in the Report of the Directors on page 18. The Company's external auditor has also confirmed its independence to the Directors in accordance with applicable laws and standards as set out in the Report of the Directors.

4.4 Risk management

Ansell places a high priority on risk identification and management throughout all its operations, and has processes in place to review their adequacy.

The Company's risk management practices include:

- a comprehensive risk control program that includes property protection and health, safety and environmental audits using underwriters, self-audits and engineering and professional advisers;
- processes to identify the business risks (both financial and non-financial) applicable to each area of the Group's activities and the maintenance of a specific framework that prioritises and monitors the mitigation of those risks; and
- regular reporting to the Audit and Risk Committee and the Board.

The diagram below sets out division of risk management functions and responsibilities within the Company.

4.5 Management assurance

Financial risk

In accordance with the Company's system of internal sign-offs, the Chief Executive Officer and Chief Financial Officer have provided assurances to the Board that having made appropriate enquiries, they have formed the opinion that:

- the financial records of the Company and its subsidiaries are maintained in accordance with the Corporations Act;
- the financial statements for the year ended 30 June 2009 have been prepared in accordance with the relevant Accounting Standards, and give a true and fair view, in all material respects, of the financial position and performance of the Company and its subsidiaries; and

- the assurances given are based on a sound system of risk management and internal compliance and control which, in all material respects:
 - is consistent with the policies adopted and delegated by the Board;
 - was based on the risk management framework adopted by the Board; and
 - was operating effectively in relation to financial reporting risks.

Non-financial risk

Management also reports to the Board on strategic and operational issues, including an assessment of the material business risks facing the Company and the effectiveness of the systems and policies in place to manage those risks.

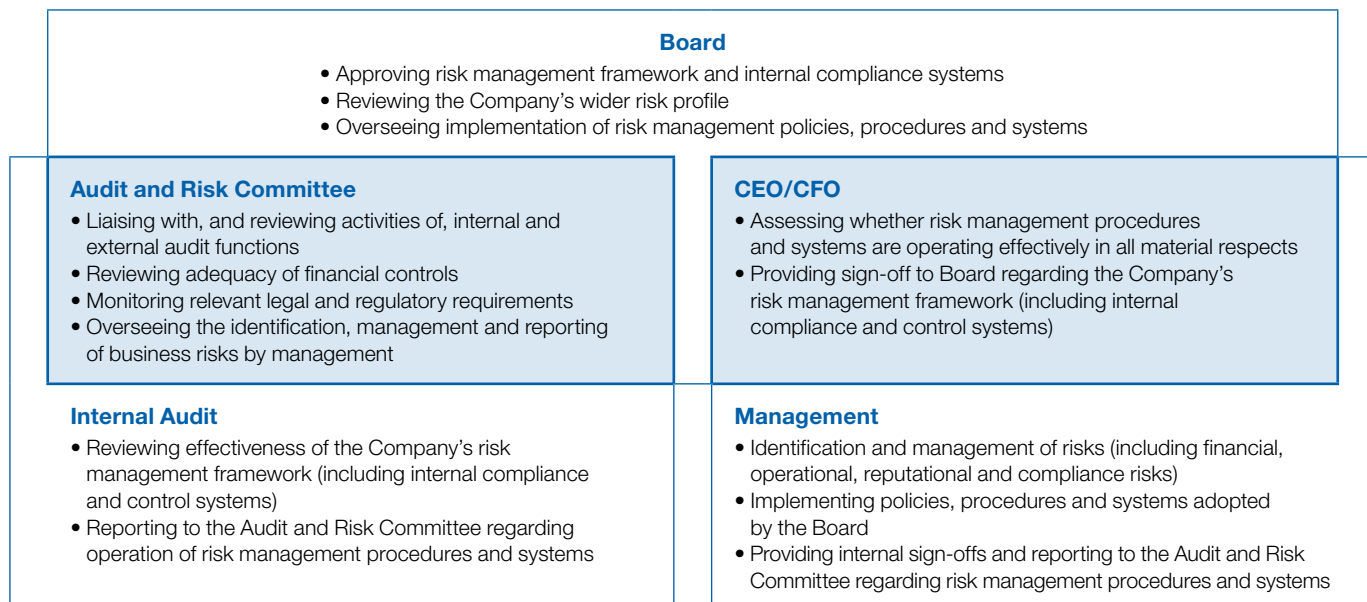
4.6 Disclosure to investors

The Company has implemented procedures to ensure that it provides relevant and timely information to its shareholders and to the broader investment community, in accordance with its obligations under the ASX continuous disclosure regime.

In addition to the Company's obligations to disclose information to the ASX and to distribute information to shareholders, the Company publishes its annual reports, annual and half-year results presentations, media releases and other investor relations publications on its website.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and discussion of the Group's strategy and goals. The external auditor attends the Annual General Meeting to answer shareholder questions about the conduct of the audit, and the preparation and content of the auditor's report.

Division of risk management functions



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Section 5 – ASX Principles

The following checklist summarises the Company's compliance with the ASX Principles, and provides reference to where the specific Principles are dealt with in this report:

| | ASX Principle | Reference | Compliance |
|---------------------|--|----------------|------------|
| Principle 1: | Lay solid foundations for management and oversight | | |
| 1.1 | Establish the functions reserved to the board and those reserved to management | Section 2.1 | Comply |
| 1.2 | Disclose the process for evaluating the performance of senior executives | Section 2.4 | Comply |
| 1.3 | Provide the information indicated in the Guide to reporting on Principle 1 | | Comply |
| Principle 2: | Structure the board to add value | | |
| 2.1 | A majority of the board should be independent directors | Section 1, 1.2 | Comply |
| 2.2 | The chair should be an independent director | Section 1 | Comply |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same individual | Section 1 | Comply |
| 2.4 | The board should establish a nomination committee | Section 2.2 | Comply |
| 2.5 | Disclose the process for evaluating the performance of the board, its committees and individual directors | Section 2.4 | Comply |
| 2.6 | Provide the information indicated in the Guide to reporting on Principle 2 | | Comply |
| Principle 3: | Promote ethical and responsible decision-making | | |
| 3.1 | Establish a code of conduct and disclose the code or a summary of the code | Section 4.1 | Comply |
| 3.2 | Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy | Section 4.2 | Comply |
| 3.3 | Provide the information indicated in the Guide to reporting on Principle 3 | | Comply |
| Principle 4: | Safeguard integrity in financial reporting | | |
| 4.1 | The board should establish an audit committee | Section 2.2 | Comply |
| 4.2 | The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board, and • has at least three members | Section 2.2 | Comply |
| 4.3 | The audit committee should have a formal charter | Section 2.2 | Comply |
| 4.4 | Provide the information indicated in the Guide to reporting on Principle 4 | | Comply |
| Principle 5: | Make timely and balanced disclosure | | |
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies | Section 4.6 | Comply |
| 5.2 | Provide the information indicated in the Guide to reporting on Principle 5 | | Comply |
| Principle 6: | Respect the rights of shareholders | | |
| 6.1 | Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy | Section 4.6 | Comply |
| 6.2 | Provide the information indicated in the guide to reporting on Principle 6 | | Comply |
| Principle 7: | Recognise and manage risk | | |
| 7.1 | Establish policies for the oversight and management of material business risks and disclose a summary of those policies | Section 4.4 | Comply |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks | Section 4.5 | Comply |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer 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 | Section 4.5 | Comply |
| 7.4 | Provide the information indicated in the Guide to reporting on Principle 7 | | Comply |
| Principle 8: | Remunerate fairly and responsibly | | |
| 8.1 | The board should establish a remuneration committee | Section 2.2 | Comply |
| 8.2 | Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives | Section 3.1 | Comply |
| 8.3 | Provide the information indicated in the Guide to reporting on Principle 8 | | Comply |