

Corporate Governance

Hutchison Telecommunications (Australia) Limited ("HTAL" or "the Company") and its Directors are committed to high standards of corporate governance. Set out below is a description of the Company's main corporate governance practices which have been in place for the full year unless otherwise stated.

Board of Directors and its Committees

The Board has responsibility for approving the strategy and monitoring the implementation of the strategy and the performance of HTAL and its subsidiaries (the group of companies is referred to as "Hutchison" in this report), protecting the rights and interests of shareholders and is responsible for overall corporate governance. The Board has adopted a list of matters reserved to the Board which is available on the Company's website. The Chief Executive Officer ("CEO") and senior management team are responsible for day to day management of Hutchison and implementing the strategies adopted by the Board.

The Board's responsibilities include:

- Reviewing and approving the strategic direction of Hutchison and establishing goals both short term and long term to ensure these strategic objectives are met and ensuring appropriate resources are available to meet these objectives;
- Overseeing Hutchison, including its control and accountability systems;
- Ensuring the business risks facing Hutchison are identified and reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Monitoring the performance of management against these goals and objectives and initiating corrective action when required;
- Ensuring that there are adequate internal controls and ethical standards of behaviour adopted and met within Hutchison;
- Reviewing and approving annual financial plans and monitoring corporate performance against both short term and long term financial plans;
- Ensuring that the business risks facing Hutchison are identified and that appropriate monitoring and reporting controls are in place to manage these risks;
- Appointing the CEO, evaluating performance and determining the remuneration of senior executives and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning; and

- Delegating to the CEO the authority to manage and supervise the business of Hutchison including the making of all decisions regarding Hutchison's operations that are not specifically reserved to the Board.

Composition of the Board

The Board comprises nine Directors whose appointment reflects the shareholdings of the Company and the need to ensure that the Company is run in the best interest of all shareholders. Other than Mr Roberts-Thomson, all the Directors, including the Chairman, Mr Fok, are non-executives. The Board has adopted the definition of independence contained in the Australian Securities Exchange ("ASX") best practice recommendations. In light of this definition, the Board considers that independent Directors are not substantial shareholders or officers of substantial shareholders, have not been employed as an executive of Hutchison or its majority shareholder, nor are they associated with any significant supplier, customer or professional adviser of Hutchison. Further, an independent Director does not have any significant contractual relationship with Hutchison nor is there any business relationship which could materially interfere with a Director's ability to act in the best interest of the Company.

Mr Gardener and Mr Scanlon, being the only Directors who are not an officer of a significant shareholder, are considered by the Board to be independent Directors. In light of the majority ownership by Hutchison Whampoa Limited ("HWL"), the Board has resolved that, at this stage, it is not in the best interests of the Company that a majority of Directors or the Chairman be independent.

Subject to the Corporations Act 2001 requirements in relation to the retirement of Directors, the current Directors have not been appointed for a specified term. Details of the Directors' experience is set out on page 21.

In connection with their duties and responsibilities, Directors and Board committees have the right to seek independent professional advice at the Company's expense. Prior written notification to the Chairman is required. No formal procedure for performance evaluation of the Board and its members has been implemented as the Board considers that regular ongoing informal assessment is more appropriate. Accordingly consideration of the performance of the Board forms part of the regular Board process when the Board conducts deliberations without representatives of management present at each Board meeting.

Committees

The Board has two committees to assist in the implementation of its corporate governance practices and fiduciary and financial reporting and audit responsibilities. These are an Audit Committee and a Governance, Nomination and Compensation Committee.

Each of these committees has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. Details of these charters are available on the Company website.

Audit Committee

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through review and supervision of Hutchison's financial reporting process and internal control system. All members of the committee are non executive Directors and the composition of the committee meets the requirements of the ASX Listing Rules. The Audit Committee has appropriate financial expertise and knowledge of the telecommunications industry. Details of the committee members' qualifications, expertise, experience and attendance at Audit Committee meetings are set out on pages 20, 21 and 26.

The Audit Committee considers the annual and interim financial statements of the Company and its subsidiaries and any other major financial statements prior to approval by the Board, and reviews standards of internal control and financial reporting within Hutchison. The Audit Committee is also responsible for overview of the relationship between Hutchison and its external auditors, including periodic review of performance and the terms of appointment of the auditors. This committee considers any matters relating to the financial affairs of Hutchison and its subsidiaries and any other matter referred to it by the Board. The main responsibilities delegated to the committee are to:

- Consider and recommend to the Board the appointment and remuneration of the Company's external auditors and to determine with the external auditors the nature and scope of the audit or review and approve audit or review plans;
- Assess the performance and independence of the external auditors, taking into account factors which may impair the auditor's judgement in audit matters related to the Company;
- Review the interim and annual accounts of the Company before their submission to the Board;

- Ensure Hutchison's practices and procedures with respect to related party transactions are adequate for compliance with the relevant legal and stock exchange requirements;
- Review the risk management practices and oversee the implementation and effectiveness of the risk management system;
- Review the internal audit programmes, the adequacy of resource of the internal audit function and the appointment and replacement of the senior internal audit officer;
- Review with management and the external auditors the presentation and impact of significant risks and uncertainties associated with the business of Hutchison and their effects on the financial statements of Hutchison; and
- Ensure corporate compliance with applicable legislation.

External auditors

The performance of the external auditors is reviewed annually and applications for tender of external audit services will be requested as deemed appropriate. PricewaterhouseCoopers were appointed as the external auditors in 1998. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies every five years, and in accordance with that policy the current audit engagement partner was appointed in May 2007.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 27 to the Financial Statements. The Company's policy in relation to awarding non-audit work to the external auditors requires that all proposed non-audit service assignments in excess of \$100,000 will be approved by the Audit Committee and will only be awarded to the external auditors after completion of a competitive tendering process which demonstrates that the external auditors are the preferred service provider on the basis of an objective assessment of price, capabilities and commitment. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditors are available for questioning at the Annual General Meeting.

Governance, Nomination and Compensation Committee

The committee comprises non-executive Directors and is chaired by the Chairman of the Board. Details of the committee members' qualifications, expertise, experience and attendance at compensation committee meetings are set out on pages 20, 21 and 26.

Compensation responsibilities

This committee is responsible for the review of remuneration and other benefits, and Hutchison's policies in relation to recruitment and retention of staff, details of which are set out in the Directors' Report on pages 27 to 31. This committee also reviews and makes recommendations to the Board on remuneration policies and other terms of employment applicable to the CEO, senior executives and the Directors themselves. The committee will, where relevant, obtain independent advice from external consultants on the appropriateness of the remuneration policies of Hutchison.

Executive remuneration, including that of Executive Directors, is reviewed annually by the committee having regard to personal and corporate performance, contribution to long term growth and relevant comparative information. Details of the compensation philosophy and practice of the Company are set out in the Directors' Report.

Governance and nomination responsibilities

Related to Board Performance and Evaluation

- To periodically assess and provide recommendations to the Chairman of the Board on the effectiveness of the Board of Directors as a whole, the committees of the Board, the contribution of individual Directors, and assessment of Directors;
- To periodically review the Company's investor relations and public relations activities to ensure that procedures are in place for the effective monitoring of the shareholder base, receipt of shareholder feedback and response to shareholder concerns;
- To oversee the maintenance of an induction and education programme for new Directors;
- To ensure appropriate structures and procedures are in place so that the Board can function independently of management;
- To review the mandates of the Board of Directors' committees and recommend appropriate changes to the Board;
- To receive and consider any concerns of individual Directors relating to governance matters; and
- To review all related party transactions to ensure they reflect market practice and are in the best interests of Hutchison.

Related to the Board of Directors

- To recommend to the Board criteria regarding personal qualifications for Board membership, such as background, experience, technical skills, affiliations and personal characteristics.

Related to Committees of the Board of Directors

- To review from time to time and recommend to the Board the types, terms of reference and composition of Board committees, the nominees as chair of the Board committees; and
- To review from time to time and make recommendations to the Board, with respect to length of service of members on committees, meeting procedures, quorum and notice requirements, records and minutes, resignations and vacancies on committees.

Business risk

The Board acknowledges its responsibility for risk oversight and ensuring that significant business risks are appropriately managed, whilst acknowledging that such risks may not be wholly eliminated. Company management is ultimately responsible and accountable for managing risk across the business, supported by the risk management function, which provides independent reports to the Audit Committee. The risk management function ensures that adequate mechanisms are in place to identify, assess and manage strategic, financial, operational and regulatory risks and that corporate performance is reviewed across a broad range of issues. The Audit Committee has been delegated responsibility as the primary body for risk oversight and for ensuring that appropriate risk management policies, systems and resources are in place. Details of the Company's risk management policy and internal compliance and control system are available on the Company's website.

Ethical standards

The need to ensure that a strong ethical culture within Hutchison has led to greater emphasis on the development of a strong culture designed to ensure that all Directors, managers and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their Hutchison working life. The corporate code of conduct, based upon the existing corporate values, has been updated to assist in maintaining this culture. This code applies to all Directors and employees and compliance with the values underlying the Company's culture forms part of the performance appraisal of senior employees and sales managers. Details of this code are available on the Company's website.

Directors' and senior executives' dealings in HTAL shares

The Company requires that:

- Directors discuss any proposed trade in HTAL shares with the Chairman prior to any trade;
- Senior executives discuss any proposed trade in shares with the Company Secretary or the Chief Executive Officer prior to any trade. Unless there are unusual circumstances, trades in HTAL shares by Directors and senior executives are limited to the period of one month after the release of the Company's half year and annual results to the ASX and from the lodgement of the Company's annual report with the ASX up to one month after the annual general meeting of HTAL.

Directors and senior executives are prohibited from trading in HTAL shares if the Director or officer is in possession of price sensitive information or would be trading for a short term gain. All managers within Hutchison have also been advised of their obligations in regard to price sensitive information. Directors and senior executives are also aware of their obligations to ensure that they do not communicate price sensitive information to any other person who is likely to buy or sell HTAL shares or communicate that information to another party.

The Company's existing practices are documented in a code, details of which are available on the Company's website.

Continuous disclosure and shareholder communication

The Board strongly believes that the Company's shareholders should be fully informed of all material matters that affect Hutchison in accordance with its continuous disclosure obligations. Financial reports and other significant information are available on the Company's website for access by its shareholders and the broader community. Procedures are in place to review whether any price sensitive information has been inadvertently disclosed in any forum, and if so, this information is immediately released to the market. The Company Secretary, resident in Australia, has been appointed as the person responsible for communications with the ASX.

The Company seeks to enhance its communication with shareholders through the introduction of new types of communication through cost effective electronic means, and the provision of significant information in addition to the reports required by legislation.

The Company's existing practices on information disclosure are documented in a policy, details of which are available on the Company's website.

Related party transactions

Hutchison draws great strength from its relationship with HWL and other companies in the HWL Group in relation to both its financial support, management expertise, joint procurement programmes and shared research and development costs. The Board is aware of the need to represent all shareholders and to avoid conflicts of interest. Where there is a conflict of interest or the potential appearance of a conflict, affected Directors do not participate in the decision making process or vote on such matters. All commercial agreements with related parties are negotiated on arms' length terms. Further information about the Company's related party transactions is set out in note 30 to the Financial Statements.