

CORPORATE GOVERNANCE STATEMENT

The Directors of Metcash Limited (**Metcash or the Company**) support and adhere to the principles of corporate governance set out in the Metcash Corporate Governance Statement. In supporting these principles, the Directors acknowledge the need for the highest standards of behaviour and accountability.

The Directors believe 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 Corporate Governance Principles and Recommendations (**Principles**).

CHANGES TO CORPORATE GOVERNANCE PRINCIPLES

The Company notes that a number of changes to the Principles take effect from the first financial year commencing after 1 January 2011. While compliance with those Principles is not obligatory for this financial year, the Company is implementing changes to ensure compliance at the earliest opportunity with the ASX Corporate Governance Council's recommendations to transition to the new Principles.

SUMMARY OF COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS

The table below summarises the Company's compliance with the Corporate Governance Council's recommendations.

RECOMMENDATION	COMPLY YES/ NO	REFERENCE/ EXPLANATION
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 34
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 34
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE		
2.1 A majority of the Board should be Independent Directors.	Yes	Page 34
2.2 The Chair should be an Independent Director.	Yes	Page 35
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes	Page 35
2.4 The Board should establish a Nomination Committee.	Yes	Page 35
2.5 Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	Yes	Page 36
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	
PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> › the practices necessary to maintain confidence in the Company's integrity; › the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; › the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Website www.metcash.com
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	N/A	Systems and processes are in place to ensure compliance when these recommendations take effect next financial year
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board and in accordance with the diversity policy and progress towards achieving them.	N/A	
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and on the Board.	N/A	
3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1	The Board should establish an Audit Committee.	Yes	Page 36
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; › has at least three members. 	Yes	Page 36
4.3	The Audit Committee should have a formal charter.	Yes	Page 37
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	Website www.metcash.com

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

5.1	Companies should establish written policies 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.	Yes	Website www.metcash.com
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 38
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 38
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.	Yes	Page 39
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) 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.	Yes	Page 39
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

8.1	The Board should establish a Remuneration Committee.	Yes	Page 40
8.2	The Remuneration Committee should be structured so that it: <ul style="list-style-type: none"> › consists of a majority of Independent Directors; › is chaired by an Independent Chair › has at least three members. 		
8.3	Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and senior executives.	Yes	Refer to Remuneration Report
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

The Company's policies and practices and their relationship to the Council's recommendations are set out in more detail as follows.

PRINCIPLE 1: **LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT**

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board of Directors is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs.

The Board reviews and approves the Company's strategic and business plans and guiding policies. Day-to-day management of the Company's affairs and implementation of its strategy and policy initiatives are delegated to the Chief Executive Officer and senior executives, who operate in accordance with Board-approved policies and delegated limits of authority.

The principal functions of the Board include:

- › charting the direction, strategies and financial objectives of the Company;
- › monitoring implementation of those strategies and the operational and financial performance and risk of each of the Company's activities;
- › reviewing major capital expenditure, acquisitions, divestments and funding;
- › reviewing performance, remuneration and succession of senior management;
- › monitoring compliance with legal regulatory requirements, including occupational health and safety laws, product safety and the protection of the environment;
- › monitoring the Company's relationships with its stakeholders and compliance with ethical standards and the Company's Code of Conduct;
- › corporate governance generally.

The Board's Charter can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

EVALUATING THE PERFORMANCE OF SENIOR EXECUTIVES

On an annual basis, the Remuneration & Nomination Committee reviews the performance of the Chief Executive Officer against qualitative and quantitative criteria, which include profit performance, other financial measures and achievement of the Company's strategic objectives. During the 2011 financial year, the Chief Executive Officer's performance was reviewed in accordance with the process specified above.

The Company maintains a performance evaluation process which measures other senior executives against previously agreed Key Performance Indicators and Key Behavioural Indicators. This process is performed formally once a year with quarterly reviews and took place for each senior executive during the 2011 financial year.

Senior executives have access to continuing education to update and enhance their skills and knowledge.

PRINCIPLE 2: **STRUCTURE THE BOARD TO ADD VALUE**

A MAJORITY OF THE BOARD SHOULD BE INDEPENDENT DIRECTORS

Appointment to the Board

The Board's policy for the selection, appointment and re-appointment of Directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to most effectively carry out its responsibilities. As part of this appointment process, the Directors consider Board renewal and succession plans and whether the Board is of a size and composition that is conducive to making appropriate decisions.

Prior to Directors standing for re-election, the Remuneration and Nomination Committee reviews the skills and contribution of the Directors concerned and decides whether the committee supports their re-election. The committee then recommends its decision to the Board.

When a vacancy exists, or when it is considered that the Board would benefit from the services of a new Director with particular skills, the Remuneration & Nomination Committee selects a panel of candidates with appropriate expertise and experience. This may be supplemented with advice from external consultants if necessary. The Board, on the Committee's recommendation, then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Directors are not appointed for a fixed term but, under the Company's Constitution, must be re-elected each 3 years by rotation and are subject to Australian Securities Exchange (ASX) Listing Rules and Corporations Act provisions.

Board Composition

Maintaining a balance of experience and skills is an important factor in Board composition. For details of the skills, experience and expertise of the individual Directors, and the period of office held by each Director, please refer to page 30, headed 'Board of Directors', of this report.

The Board of Metcash is currently constituted as follows:

Independent Non-executive Directors

Six Independent Directors hold key positions that include chairing the Board and the Board Committees of Audit Risk & Compliance and Remuneration & Nomination. They provide an external perspective and checks and balances for the interests of all shareholders.

The Board's six Non-executive Directors (at the date of this report), Mr Barnes, Mr Butler, Mr Hamilton, Mr Longes, Mr Rubin and Mrs Balfour are considered by the Board to be Independent Directors.

The Board has adopted a definition of independence which is derived from the definition set out in the Principles. Directors are considered independent if they are not a member of management and are free of any business or other relationship that would materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

When assessing the independence of a Director, the Board will consider whether the Director:

- › is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- › is employed or has previously been employed in an executive capacity by the Company or another group member and there has not been a period of at least three years between ceasing to hold any such employment and serving on the Board;
- › has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- › is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- › has a material contractual relationship with the Company or another group member other than as a Director of the Company.

The Board regularly assesses whether each Non-executive Director is independent, based on this definition, and in light of information disclosed by those Directors that may be relevant to this assessment.

The six Non-executive Directors are considered to be independent for the following reasons.

- None of the six Non-executive Directors are substantial shareholders of the Company or associated with a substantial shareholder of the Company (holding 5% or more of the Company's issued shares).
- Messrs Barnes, Butler, Hamilton and Longes and Mrs Balfour are not employed by, nor have they previously been employed by, the Company or another group member. Mr Rubin was employed in executive positions by Metoz, the former group holding company and now a wholly owned Metcash subsidiary. That employment ceased on 18 April 2005 when the Metoz scheme became effective.
- A period of more than three years has thus elapsed during which Mr Rubin remained as a Metcash Director. Although there has not been '...a period of at least three years between ceasing such employment and serving on the Board', it is noted that his role as a Metoz employee did not put him in a position of authority, responsibility, and/or directing the activities of Metcash itself and, that this fact, combined with the six year elapsed period are important factors in determining his capacity to bring independent judgement to bear on Metcash Board deliberations. At all times, he has been a Non-executive Director of Metcash. Given the specific facts of his situation, this test does not preclude him from being considered independent.
- The Board considered all relevant factors and concluded that Mr Rubin is an Independent Director.
- None of the six Non-executive Directors have a contractual relationship with the group nor have they been a professional adviser or consultant to the group or an employee associated with the service provided.
- None of the six Non-executive Directors is a material supplier or customer of the Company or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer. Materiality is assessed as supplying 2.5% or more of the Company's annual purchases or a customer representing 2.5% or more of the Company's annual sales.
- Mr Barnes is Chairman of Samuel Smith & Sons Pty Ltd and a Director and Chairman of Ansell Limited. Mrs Balfour is a director of Salmat Limited. All these organisations are suppliers to the Company under normal commercial terms and conditions. However, the level of purchases involved is not considered material, being less than 0.4% of the Company's total purchases.
- None of the six Non-executive Directors has a contractual relationship with the Company or another group member, other than as a Director of the Company.

Non-executive Director

Mr Edwin Jankelowitz retired as an Executive Director of the Company on 31 March 2011 and remains a director of the Company from that date. The Board considers Mr Jankelowitz to be a Non-executive Director and not an Independent Director.

Executive Directors

The Board has one Executive Director, Mr Andrew Reitzer. Mr Reitzer is the Company's Chief Executive Officer.

All Directors, whether independent or not, bring an independent judgement to bear on Board decisions.

Independent Professional Advice

The Board has a policy of enabling Directors to seek independent professional advice at the Company's expense. The Board will review in advance the estimated costs for reasonableness, but will not impede Directors from seeking advice.

Company Secretary

All Directors have access to the Company Secretary who is accountable to the Board, through the Chairman, on all governance matters.

THE CHAIR SHOULD BE AN INDEPENDENT DIRECTOR

The Chair, Mr Peter Barnes is considered by the Board to be an Independent Director.

THE ROLES OF CHAIR AND CHIEF EXECUTIVE OFFICER SHOULD NOT BE EXERCISED BY THE SAME INDIVIDUAL

The roles of Chief Executive Officer and Chair are not exercised by the same individual.

THE BOARD SHOULD ESTABLISH A NOMINATION COMMITTEE

The Board has a Remuneration & Nomination Committee.

Remuneration & Nomination Committee

The membership of the Remuneration & Nomination Committee consists of the Non-executive Independent Directors who are listed below, together with details of their qualifications and attendance at meetings during the past financial year.

MEMBER	QUALIFICATIONS	MEETINGS ELIGIBLE TO ATTEND DURING 2011 FINANCIAL YEAR	MEETINGS ATTENDED DURING 2011 FINANCIAL YEAR
N D Hamilton (c)	LLB	4	4
P L Barnes ⁽¹⁾	BComm (Hons), MBA	4	4
C S dos Santos ⁽²⁾	CA (SA)	2	2
F E Balfour ⁽³⁾	BA (Hons), MBA, Grad Dip IM FAICD	2	2

(c) Denotes the chairman of the committee

1 P L Barnes was Chairman of the Remuneration & Nomination Committee until 2 September 2010, when he assumed chairmanship of the Board of Directors. N D Hamilton assumed committee chairmanship from that date.

2 C dos Santos retired from the Metcash Board on 2 September 2010.

3 F E Balfour was appointed to Metcash Board on 16 November 2010 and thereafter appointed to the Remuneration & Nomination Committee.

Responsibilities of the Committee include to:

- › advise the Board on remuneration of the CEO and senior management;
- › advise the Board on performance-linked compensation for management;
- › administer the Metcash Employees Option Plan, the Metcash Performance Rights Plan, and exercise the Board's discretionary power when required;
- › advise the Board on directorship and Board Committee appointments, Board succession planning and performance of the CEO; and
- › implement processes to assess the effectiveness of the Board and its Committees.

The Committee consists only of Independent Directors and is chaired by an Independent Director who is not Chairman of the Board.

The Charter of the Committee can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

PROCESS FOR EVALUATING THE PERFORMANCE OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

Annual reviews of the Board, its Committees and Directors are performed using a self-evaluation questionnaire, with an independent review conducted each third year using a recognised external Board Performance Consultant. This process was first adopted in 2008.

The self-evaluation questionnaire has been utilised for the 2009 and 2010 financial years and, accordingly, a recognised Board Performance Consultant is conducting the 2011 financial year review.

The 2011 evaluation process is being managed by an external Board Performance Consultant on a confidential basis. Results of the externally produced questionnaire and interviews with all Directors and several key management personnel will be provided by way of report to the Board in August 2011. The Board expects to respond to the findings of the review during the second half of the 2011 calendar year.

The Directors agreed that the evaluation process had been effective and that the individual discussions with the Chairman had been frank and open. The overall conclusion was that the Board and its Committees are effective and are operating at a level that has surpassed the high level identified in the 2010 evaluation and that decisions are made in a timely manner.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

ESTABLISH A CODE OF CONDUCT

The Company has a Code of Conduct that applies to Directors and all employees. Subjects covered by the Code include:

- › equal employment opportunity, discrimination and harassment;
- › security of Company records and assets and confidentiality guidelines;
- › conflict of interest, acceptance of gifts, entertainment and services;
- › fraud, corruption and irregular transactions;
- › legal compliance;
- › honest ethical behaviour;
- › environmental protection and safe working environment.

The Code can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

Compliance with the Code is checked through the Company's functions and related processes including internal audit, security, human resources and occupational health and safety. New staff members are required to attend an induction program that includes behaviour guidelines. Additionally, the Company's staff appraisal process includes employees' performance against 'Key Behavioural Indicators' as well as 'Key Performance Indicators'.

The Company has a Business Conduct and Ethics Policy that seeks to encourage all staff and non employees to report any person suspected of poor business conduct and ethical practices including fraud and corrupt conduct. The Company also has a Serious Complaints Policy which endeavours to protect those who report, in good faith, violations of the Code of Conduct. This policy can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

THE BOARD SHOULD ESTABLISH AN AUDIT COMMITTEE

The Board has an Audit, Risk & Compliance Committee which reports regularly to the Board.

The membership of the Audit Risk & Compliance Committee consists of the Non-executive Independent Directors who are listed below, together with details of their qualifications and attendance at meetings during the past financial year.

MEMBER	QUALIFICATIONS	MEETINGS HELD DURING 2011 FINANCIAL YEAR	MEETINGS ATTENDED DURING 2011 FINANCIAL YEAR
R A Longes (C)	BA, LLB, MBA	5	5
M R Butler	B Sc, MBA	5	4
V D Rubin	CA(SA), HDip BDP, MBA	5	5

(C) Chairman.

The function of the Audit Risk & Compliance Committee is to advise on the establishment and maintenance of a framework of internal control, effective management of financial and other risks, compliance with laws and regulations and appropriate ethical standards for the management of the Company. It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial statements. In accordance with the Principles, the Committee consists only of Independent Directors and is chaired by an Independent Director who is not the Chairman of the Board.

COMMITTEE CHARTER

The Committee's Charter, which is summarised below, sets out the specific responsibilities delegated to it by the Board and details the manner in which the Committee will operate. The Charter can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

The principal terms of reference of the Audit Risk & Compliance Committee are the effective management of financial and other risks through ensuring that systems and management processes are in place to identify and manage operational, financial and compliance risks.

Specific areas of review include:

- › overseeing the establishment of a framework within which risks to the Company are identified and mitigated and risk avoidance processes are established and the effectiveness of the risk management process monitored;
- › financial risk and exposure;
- › occupational health and safety;
- › environmental issues;
- › Hazard Analysis and Critical Control Points (HACCP) based food safety program; and
- › integrity of information technology systems.

The Committee reviews the effectiveness of risk management policies and procedures by:

- › reviewing monthly financial performance against budget and updated forecasts at least quarterly;
- › reviewing the internal audit of the Group's financial controls, taxation compliance and adherence to policies and regulations;
- › reviewing annually the effectiveness and adequacy of the Group's insurance program;
- › the provision of reliable management and financial reporting — this is done by reviewing and assessing the:
 - quality and timing of management reporting to the Board to enable internal and external reporting of the Company's risks, operations and financial condition;
 - accounting policies and practices against generally accepted accounting principles and the requirements of the Corporations Law, Australian Accounting Standards and Australian Securities Exchange requirements;
 - half-yearly and annual financial statements;
- › assessing compliance with laws and regulations by monitoring developments and changes in the various rules, laws and regulations relating to the Company's business operations and the responsibilities of Directors and reviewing the extent to which the Board and the Company are meeting their obligations to ensure that all requirements are met;
- › the maintenance of an effective and efficient audit function — this is achieved by:
 - recommending to the Board the appointment of external and internal auditors;
 - reviewing the effectiveness of the external and internal audit functions;
 - ensuring audit scopes are adequate and cover areas of anticipated risk;
 - reviewing audit findings and management response;
 - reviewing the independence of the external auditor;
 - ensuring auditors have the necessary access to Company information and staff to fulfil their obligations.

The Audit Risk & Compliance Committee acts to ensure that operational, financial and compliance risks are managed in accordance with the Board's risk tolerance. The Company has implemented a Risk Management Framework which is supported by specialised risk management teams (refer Principle 7 – Recognise and Manage Risk). The Committee has obtained assurance regarding the effectiveness of the overall system of risk management through various means. These means have included direct enquiry of management, internal and external audit reports and the monitoring of financial and operational results. The Committee meets regularly, in private, with the Lead External Audit Partner and the Chief Audit Executive.

A 'Charter of Audit Independence' is in place that details the circumstances in which the Company's external auditor may perform non-audit related services and the procedures to be followed to obtain approval for those services where they are permitted. The 'Charter' also contains the Company's policies on the hiring of former partners and senior managers of the external auditor and the rotation of lead and review external audit engagement partners. The Charter can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

In principle, the appointment of an external auditor would be based on a tender process conducted by the Audit Risk & Compliance Committee. The Committee would select suitable candidates for the role, issue and evaluate tenders, interview the candidates and then make a recommendation to the Board.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

COMPLIANCE WITH ASX LISTING RULE DISCLOSURE REQUIREMENTS

The Metcash Market Disclosure Policy is designed to ensure that:

- › there is full and timely disclosure of the Company's activities to shareholders and the market, in accordance with the Company's legal and regulatory obligations; and
- › all stakeholders (including shareholders, the market and other interested parties) have an equal opportunity to receive and obtain externally available information issued by the Company.

The policy reflects the Company's obligation to comply with the disclosure requirements of the Listing Rules of the Australian Securities Exchange (ASX), as well as relevant corporations and securities legislation.

The policy is reviewed regularly to ensure that the policy reflects any legislative or regulatory requirements or 'best practice' developments.

DISCLOSURE RESPONSIBILITIES AND PROCEDURES

The Company has designated the Chairman, Chief Executive Officer and Company Secretary as 'Disclosure Officers'. The Chairman's approval, or that of his delegate, is required for disclosures. The Company Secretary has responsibility for liaising with the ASX in relation to all announcement and disclosure issues.

Disclosure Officers have responsibility for reviewing proposed disclosures and making decisions in relation to what information can or should be disclosed to the market.

All Metcash staff are required to inform a Disclosure Officer of any potential 'price sensitive' information concerning the Company as soon as they become aware of it. Staff may speak to their Business Pillar Head or a Disclosure Officer if they are in doubt as to whether information is potentially 'price sensitive'.

The Market Disclosure Policy can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company believes that shareholder and market confidence in all its dealings is paramount and is committed to ensuring it complies with continuous disclosure obligations so that its investors have timely and equal access to important company information.

Information provided to the ASX is made available on the Company's website so that all shareholders and other key stakeholders have timely access to it.

In addition to meeting its continuous disclosure obligations, Metcash ensures shareholders and the broader investment community have timely access to important company information through a series of regular disclosure events during the financial year. The calendar for these events is posted on the company's website.

The Shareholder Communication Policy can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

The Company continues to encourage electronic communication with shareholders to facilitate the speedy and inexpensive dissemination of information. This is being done through a program to obtain and update shareholder email addresses, to alert them to new information on the Metcash website and to distribute information to them directly. The Company's website contains more than five years of ASX and media announcements and annual reports. This information is shown under the heading 'Investor Centre'. Provision has also been made for electronic proxy voting.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and discussion of the Company'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.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

POLICES FOR THE OVERSIGHT AND MANAGEMENT OF MATERIAL BUSINESS RISKS.

The Board is responsible for designing and reviewing Metcash's Risk Management Policy and for determining the Company's appetite for risk, taking into account the Company's strategic objectives and other factors including stakeholder expectations. The level of tolerance for risk varies according to the risk area.

The Metcash Group Risk Department, the Internal Audit Department and the Audit Risk & Compliance Committee (AR&CC), a committee of the Board, implement a continuous process of communication with internal stakeholders at each stage of the risk management process. They also conduct annual examinations of Metcash's external and internal environments, so as to establish the parameters within which risks must be managed.

Policies on risk oversight and management of material business risks are summarised in a document entitled 'Risk Management Policy – Summary' which can be found on the Metcash website www.metcash.com under the heading 'Corporate Governance'.

The Company's risk management philosophy and practices are documented more fully in the Metcash Risk Management Framework and Guidelines (Risk Management Framework).

The Company has adopted the Australian/New Zealand Standard for Risk Management — AS/NZ 4360:2004 (currently being aligned to ISO 31000:2009) as the basis for its Risk Management Framework. Metcash has implemented its Risk Management Framework through, amongst other things, the identification of material business risk categories and the development of risk profiles for all the major segments and functions of the business.

Material business risks that have been identified and included in the Risk Management Framework are grouped under the following categories:

- › Asset Management;
- › Business Continuity;
- › Health, Safety, Environment, Community (HSEC);
- › Compliance and Legal (Non-HSEC);
- › Employee;
- › Financial Reporting;
- › Criminal Activity;
- › Information Technology;
- › Reputational;
- › Solvency;
- › Operations/Warehouse;
- › Merchandising, Customer and Supplier (i.e. Supply chain); and
- › Strategic/Sustainability.

The risk management process includes the following elements:

- › Risk assessment;
 - risk identification;
 - risk analysis;
 - risk treatment;
- › Monitoring and review; and
- › Recording the risk management process.

Roles and responsibilities

In addition to the specific responsibilities and reporting roles of the Metcash Group Risk Department and Internal Audit Department, the Metcash Executive Team is regularly required to report to the Board as to the emergence of any significant risk issues and the management of previously reported material risk issues.

The Audit Risk & Compliance Committee (AR&CC) is responsible for monitoring management's risk processes other than corporate strategy, the oversight of which is a Board responsibility. On behalf of the Board, the AR&CC monitors those risk events that could prevent the achievement of the Company's corporate strategies.

All Metcash employees are responsible for the management of risk within their areas. Management is responsible for assessing and monitoring risk and designing cost-effective mitigation to facilitate the achievement of goals and objectives. Non-management employees are always responsible for ensuring that risk controls within their scope of responsibility operate effectively. These employees are also required to advise management of increasing or new risk exposures and significant operational incidents as they become aware of them.

This 'front line' of risk management is supported by specialised risk management teams covering specific areas of risk within Metcash and by independent reviews conducted by the Metcash Internal Audit Department to verify the adequacy and effectiveness of risk management.

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

Metcash implements a risk oversight and risk management process that is based on Risk Management Standard AUS/NZ 4360 (currently being aligned to ISO 31000:2009). This system is used to profile all potential risks by identifying, prioritising and managing such risks across the Company.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks using this internal system.

The Risk Management Policy and Risk Management Framework utilised at Metcash cover a wide range of activities and are used to identify, analyse, evaluate, manage and monitor risks across all areas of the business. Risk profiles are fully in place for existing sites, and are implemented at newly acquired sites. These are prepared in consultation with senior management, agreed with site business management and are periodically reviewed and updated by risk team members. Ongoing risk management activities include:

- › confirmation of key controls;
- › reporting of incidents: recording and monitoring of key risk indicators (monitoring of residual risk levels);
- › follow-up on risk treatment/action plans;
- › escalation of issues; and
- › regular reporting processes to all levels of management.

The ongoing process of communication, consultation, monitoring and review enables management to demonstrate continuous improvement whilst encouraging greater ownership by individuals across the business.

The risk management and internal control system provides regular feedback to management on their effectiveness in managing business risks. This is supported by the Risk Management platform database (software) which holds the risk controls library, all risk categories & events, risk profiles for each pillar/business, business/functional objectives, critical success factors, processes, compliance data, incidents and corrective actions.

The Risk Management Policy and Risk Management Framework documents form an integral part of Company's risk management. The Board continues to review these and provide support in defining clear accountabilities, responsibilities and embedding Enterprise Risk Management in planning, strategy and company culture. The Board and the AR&RC remain responsible for the oversight of the risk management process.

Management has reported to the Board as to the effectiveness of the Company's management of its material risks.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER DECLARATION

The Chief Executive Officer and the Chief Financial Officer provided a declaration in writing to the Board in accordance with section 295A of the Corporations Act that, among other things, the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards (refer to the Directors' Report).

The Board has received written assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided by them in accordance with section 295A of the Corporations Act (refer to the Directors' Report) is founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**THE BOARD SHOULD ESTABLISH A REMUNERATION COMMITTEE**

The Board has established a Remuneration and Nomination Committee. For details of the Committee's membership, their attendance at Committee meetings and a summary of the Committee's Charter, please refer to Principle 2 — 'The Board should establish a Nomination Committee'.

Remuneration Policy

The Company's Remuneration Policy can be found on the Metcash website www.metcash.com under the heading of 'Corporate Governance'. It is summarised in the 'Remuneration Report' contained within the Directors' Report. Details of the compensation of senior executives are also contained in the Directors' Report.

The Company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes is set out in the Metcash Code for Directors and Executives in Respect of Share Transactions which can be found on the Company's website www.metcash.com.

Non-executive Directors' compensation and retirement benefits

Refer to the 'Remuneration Report' contained within the Directors' Report.

Termination entitlements of CEO and senior executives

Refer to the 'Remuneration Report' contained within the Directors' Report.

ADDITIONAL FINANCIAL INFORMATION

The following 'Like for Like' and 'Underlying' analyses are presented to explain the Group's performance excluding the effects of material changes in business structure and excluding non-recurring items and certain intangible amortisation respectively. The 'Like for Like' and 'Underlying' results are not the statutory results of the Group. The 'Reported' or statutory results are presented in the attached financial statements from page 56.

	2011 \$'m	2010 \$'m
'Like for Like' – Sales Revenue		
Group Sales Revenue	12,364.0	11,517.4
Less:		
Loss of ALH Volume	(41.3)	(444.7)
Campbells Wholesale Branch Closures	–	(51.7)
Mitre 10 Acquisition	(797.6)	(61.6)
'Like for Like' Sales Revenue	11,525.1	10,959.4
'Like for Like' – EBITA		
Group EBITA	438.0	401.2
Less:		
Loss of ALH Volume	–	(11.1)
Mitre 10 Acquisition	(20.7)	(1.5)
'Like for Like' EBITA	417.3	388.6
'Underlying' – Profit and EPS		
'Reported' Profit after Tax	241.4	227.6
Add back:		
Amortisation of Customer Relationships and Licence Agreements	7.9	6.5
Significant Items after Tax	6.9	10.8
'Underlying' Profit after Tax	256.2	244.9
Earnings per Share (basic) (cps)		
'Reported'	31.5	29.7
'Underlying'	33.4	32.0