

CORPORATE GOVERNANCE REVIEW & UPDATE – DECEMBER 2006

The Board and Management of Wide Bay Australia Ltd has adopted and followed the ASX Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council in 2003, for the year ended 30 June 2006.

These principles establish and require compliance, in addition to adopting governance, that provide values that are in the interest of both the Society's Shareholders and Customers.

Under the provisions of the Australian Prudential Standards (APS) 510 set by the Australian Prudential Regulation Authority (APRA), the Society was required to adopt from the 1 October 2006 the standard which generally encompasses the ASX Principles, but included additional requirements in particular to Board Renewal Policy and composition of the Audit Committee.

Previously the Corporate Governance Standards adopted by the Society applied to ASX listed companies. These standards required by APRA now encompass all Approved Deposit Taking Institutions (ADI's) including mutual building societies and credit unions.

In addition, from 1 October 2006 APRA required ADI's to adopt a "Fit and Proper" policy ensuring the qualifications, capabilities and fitness for the positions of persons appointed as Directors, Responsible Persons and Auditors. Responsible Persons are defined as those persons with responsibility for Senior Management and decision making within the Society. This policy has been adopted by the Board in accordance with the requirement of the Standard set out under APS 520.

A detailed revised Corporate Governance Policy is available on the Society's website: www.widebayaust.com.au and is subject to constant review.

All ASX Principles of Good Corporate Governance and Best Practise Recommendations have been complied with by the Board. An updated summary of the Board's policy is set out hereunder:-

Principle 1: Lay solid foundations for management and oversight and recognise the responsibility of the Board and Management.

Full details of these policies are defined in the Board Charter and clearly define the various roles.

Principle 2: Structure of the Board:

The Society's Charter clearly defines the principles and expectations of performance of Board and Management and the delegation of various powers and responsibilities. The Board Charter was amended to comply with the APRA requirements in October 2006 and includes a specific Board Renewal Policy as:-

- over the next two years that up to two new directors will be appointed to the Board, with a view to broadening the range of qualifications of the Board;
- that the term of directors appointed in future will be limited to 10 years.
- that the Chairman of the Board will be limited in future, to a term of 7 years; and
- that the Chairman of the Audit Committee will be limited to a term of 5 years, which is consistent with the requirements for appointment of external auditors.

The Board has also adopted the requirement of APRA of appointing three independent Directors as members of the Audit Committee.

Principle 3: Ethical and responsible decision-making:

The Board has always maintained a high expectation of ethical conduct from its Directors and Management, with a requirement for them to promote the Society and act responsibly in relation to the interest of the Society in relationships with customers, shareholders and employees. The Society has adopted for many years an extensive in-house training program for all staff and agent staff dealing with the Society's customers with a separate Staff Training Department at Head Office providing continual updates and training. The Corporate Code of Conduct is detailed in the Board Charter.

Principle 4: Financial Reporting

The Board's policy clearly states these requirements, particularly that of the Chief Executive Officer and the Chief Financial Officer required to state in writing to the Board that the Society's financial reports present a true and fair view in all material aspects of the Society's financial condition and operational results and are in accordance with the relevant accounting standards.

The Audit Committee's terms of reference, powers and responsibilities to ensure compliance with integrity and financial reporting is set out in detail in the Charter.

Principle 5: Timely and balanced disclosure

The Board is totally committed to keeping shareholders fully informed and where necessary by direct communication, public communication and posting on the

website, in addition to reporting to the ASX of any material issue that may be considered relevant. Full details of the policies are stated in the Board Charter.

Principle 6: Respect the rights of shareholders

The Board Charter provides clearly defined requirements of full disclosure at all times of any material aspects that may affect, apply or have a bearing on the interest of shareholders in addition to general advices and updates.

Principle 7: Recognise and manage risk

The Board has established that risk management is one of the most important functions of the Board, ensuring at all times that all aspects of risk to the Society's operations are addressed. This policy is included in the Board Charter and in particular includes a requirement of the Audit Committee to particularly assess risk management and to receive at least annually a detailed report from the Internal Auditor of the compliance of the Society to risk management procedures, that have been adopted by the Board and incorporated in the Internal Audit program of the Internal Auditor.

Principle 8: Encourage enhanced performance

The Board and Management performance is continually monitored by the Chairman and Managing Director where appropriate, to ensure the Society achieves a high standard of efficiencies at both Board and Management levels. The provision for this assessment and supervision is incorporated in the detailed Board Charter.

Principle 9: Remuneration

The Board Charter clearly defines the Remuneration Committee as that of the Chairman and the Managing Director who assesses and evaluates the performance of Senior Management, which is then reviewed and adopted by the full Board. Board remuneration is assessed and reviewed on an annual basis and subject to ratification by the Shareholders at the Annual General Meeting.

Principle 10: Interest of Stakeholders

The Board Charter clearly defines the expectations of the Board and Management with respect to legal and other obligations to non-shareholder stakeholders such as employees, clients, customers and the community as a whole. The Board has always had strong expectation and has adhered to these commitments of ensuring appropriate corporate practice in respect of these stakeholders. Full details are incorporated in the Board Charter.

Yours Faithfully



Bill Schafer
Company Secretary