

Corporate Governance Statement

Issue Date: 19/03/10 • Version 1.00

Gerard Lighting Group Limited (the Company) and its controlled entities (the Group) and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the August 2007 ASX *Principles of Good Corporate Governance and Best Practice Recommendations*.

Further details of the corporate governance practices of the Company are available in the Corporate Governance section of the Company website at www.gerardlighting.com.au.

Principle 1: Lay solid foundations for management and oversight

The Board is responsible to shareholders for the performance of the Company in both the short and the longer term and it seeks to balance sometimes competing objectives in the best interests of the Group as a whole. Its focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The Board Charter, including a statement of the Board's roles and responsibilities, is available on the Company's website.

The Board remains responsible for overseeing the performance of the management team on behalf of shareholders, but delegates responsibility for the day-to-day management of the Company to the Group Managing Director and senior executives. The Board has formally delegated a range of authorities to management and a statement of matters delegated to management is available on the Company's website.

As part of overseeing the performance of senior executives, the Board has established a process of annual performance review and goal planning, whereby each executive is evaluated against a range of criteria, including achievement of strategic and financial goals, safety performance and business excellence. All senior executives participated in this evaluation, which was conducted in accordance with the prescribed process, during the year ended 30 June 2010.

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Principle 2: Structure the Board to add value

Board composition

The Board is structured such that it comprises Directors from a variety of business and professional backgrounds who bring a range of commercial, operational, financial skills and experience relevant to the Company and the industry in which it operates. In addition, the Board seeks to ensure that, at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external perspective.

Directors' independence

In assessing whether a Director is independent the Board considers whether there are any, or the extent of any business or other relationships, between the Director and the Company and whether such relationships could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of their judgement.

In determining whether a relationship between a Director and the Company is considered to be material, the Board assesses a range of quantitative and qualitative matters including the proportion the transactions represent to both the Company and the Director and the value or strategic importance of the relationship to both the Company and the Director.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the Directors' Report under the heading "Information on Directors".

At the date of signing the Directors' Report, there are three Executive Director and three Non- Executive Directors, all of the latter whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

Chairman and Managing Director

The Chairman, Mr Robert Geoffery Gerard is not considered an independent Chairman. The Company considers this departure is appropriate however given:

- The Gerard family's interest in the Company; and
- Mr Gerard's considerable experience within the Company and the electrical industry.

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The Board charter specifies that the role of Chairman and the role of Managing Director are separate roles to be undertaken by separate people. The role of Managing Director is undertaken by Mr Simon Charles Gerard.

Independent professional advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to approval of cost by the Chairman.

Performance assessment

The Chairman of the Nomination Committee, an independent director undertakes a regular assessment of the performance of individual Directors, the Board as a whole and its Committees and meets privately with each Director to discuss this assessment. Descriptions of the process for performance assessment for the Board and senior executives are available on the Company website.

A performance evaluation for the Board and its members and committees has taken place in the reporting period. This was conducted in accordance with the process described above.

Remuneration and nomination committee

The Board has established a Remuneration and Nomination Committee. Membership of the Nomination Committee of the Company and details of meetings for the reporting period are set out in the Directors' Report above.

When a new Director is to be appointed the Committee reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience.

The full Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting of the Company. The Committee's nomination of existing Directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company. The Board and the Committee are also aware of the advantages of Board renewal and succession planning.

Details of the nomination, selection and appointment processes are available on the Company website.

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Principle 3: Promote ethical and responsible decision making

The Company has a formal Code of Conduct which supports a foundation of honesty and integrity and adopts a Corporate Creed which requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The Code encourages all staff and other stakeholders to report any breaches of the Code to the Chairman of the Board, who is required to investigate and report on all such matters.

The Board has adopted a share dealing policy that specifically precludes Directors, Officers and Senior Executives from buying or selling shares within 30 days prior to the announcement of the Annual or Half-Year results and the holding of the annual general meeting.

A copy of the Code and the trading policy are available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

Audit committee

The Board has established an Audit, Risk and Compliance Committee which is responsible for reviewing the financial accounts and other financial information distributed externally, monitoring the adequacy of risk management and internal control systems and monitoring procedures in place to ensure compliance with statutory responsibilities.

The Company has adopted an Audit, Risk and Compliance Committee Charter which is set out on the Company website.

The names of the members of the Audit and Compliance Committee together with details of their qualifications and attendance at meetings are set out in the Directors' Report. The Committee consists of two Directors, all of whom are non-executive and independent.

External auditors

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

It is KPMG policy to rotate audit engagement partners on listed companies at least every five years. The Board requires that adequate handover occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

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Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Managing Director and Company Secretary are responsible for compliance with the Company's continuous disclosure policy.

Principle 7: Recognise and manage risk

The Board, through the Audit, Risk and Compliance Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and to report to it on whether those risks are being managed effectively.

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

In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

The Board has received assurance from the Managing Director and CFO that, in their opinion:

- The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards.
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

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Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration and Nomination Committee which comprises two Non-Executive Directors. Details of the names of the members of the Remuneration Committee and their attendance at Directors' meetings are set out in the Directors' Report.

The Remuneration Report, within the Director's Report, sets out the Company's policies for remunerating Directors, Executive Directors and senior executives. Details of the existence and terms of any schemes of retirement benefits other than superannuation, for Non-Executive Directors is set out in the Remuneration Report within the Directors' Report.

The following information is available on the Company's website:

- The Remuneration Committee charter; and
- The Company's security trading policy, which prohibits transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.